



Arafura Resources Limited

ABN 22 080 933 455

2018

NOTICE OF ANNUAL GENERAL MEETING

AND

EXPLANATORY MEMORANDUM TO SHAREHOLDERS

A PROXY FORM IS ATTACHED

DATE OF MEETING:

22 November 2018

TIME OF MEETING:

9 a.m WST

PLACE OF MEETING:

Governance Institute of Australia Ltd
8 Victoria Avenue, Perth
Western Australia, 6000

Please read the Notice and Explanatory Memorandum carefully.

If you are unable to attend the meeting, please complete and return the enclosed proxy form in accordance with the specified instructions.

Arafura Resources Limited

ABN 22 080 933 455

Notice of Meeting

Notice is given that the 2018 Annual General Meeting of the Company will be held at the **Governance Institute of Australia Ltd, 8 Victoria Avenue, Perth, Western Australia, 6000**, on 22 November 2018 at 9 a.m. WST.

Agenda

Ordinary Business

An Explanatory Memorandum containing information in relation to each of the following resolutions accompanies the Notice of Annual General Meeting.

Annual Report

To receive and consider the consolidated financial statements of the Company and its controlled entities for the year ended 30 June 2018 and the reports of the Directors and auditors for the financial year ended 30 June 2018.

Resolution 1 – Remuneration Report

To consider, and if thought fit, to pass the following as an ordinary resolution:

“That for the purposes of section 250R(2) of the Corporations Act and for all other purposes, the Remuneration Report for the year ended 30 June 2018 be adopted.”

Note: The vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Exclusion Statement

To the extent required by section 250R of the Corporations Act, votes must not be cast (in any capacity) on Resolution 1 by, or on behalf of:

- (a) a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However a person described above (the ‘voter’) may cast a vote on Resolution 1 as a Proxy if the vote is not cast on behalf of a person described in paragraph (a) or (b) above and either:

- (a) the voter is appointed as a Proxy by writing that specifies the way the Proxy is to vote on the resolution; or
- (b) the voter is the chair of the meeting and the appointment of the chair as Proxy:
 - (1) does not specify the way the Proxy is to vote on the resolution; and
 - (2) expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company.

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Resolution 2 – Re-election of Quangsheng Zhang as Director

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

“That Quangsheng Zhang, being a Director of the Company who retires by rotation under rule 7.1(d) of the Company’s Constitution, and being an eligible person, is re-elected as a Director of the Company with effect from the close of the Meeting.”

Resolution 3 – Re-election of Terry Grose as Director

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

“That Terry Grose, being a Director of the Company who retires by rotation under rule 7.1(d) of the Company’s Constitution, and being an eligible person, is re-elected as a Director of the Company with effect from the close of the Meeting.”

Resolution 4 – Election of Mark Southey as Director

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

“That Mark Southey, who was appointed by the Directors as an additional director during the year (and who holds office only until the conclusion of the AGM in accordance with rule 7.1(c) of the Company’s Constitution), being an eligible person, is elected as a Director of the Company with effect from the close of this meeting.”

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Resolution 5 – Issue of Options to Gavin Lockyer

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

“That, for the purpose of ASX Listing Rule 10.14, and section 208(1) of the Corporations Act, and for all other purposes, approval is given to issue 4,750,000 Options to the Managing Director of the Company, Mr Gavin Lockyer, or his nominee under the 2017 Option Plan, as described in the Explanatory Memorandum”.

Voting Exclusion Statement

The Company will disregard any votes cast in favour of Resolution 5 by or on behalf of any Director (or their nominee) of the Company who is eligible to participate in the 2017 Option Plan and any associate of such a Director.

However the Company need not disregard a vote if:

- (a) It is cast by a person as a proxy who is entitled to vote, in accordance with the directors on the proxy form; or
- (b) It is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

A vote on this Resolution 5 must not be cast (in any capacity) by or on behalf of Mr Gavin Lockyer or his associates except where it is cast by a person as a proxy appointed in writing that specifies how the proxy is to vote on the proposed resolution and it is not cast on behalf of Mr Gavin Lockyer or his associates.

Resolution 6 – Issue of Performance Rights to Gavin Lockyer

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

“That, for the purpose of ASX Listing Rule 10.14, and section 208(1) of the Corporations Act, and for all other purposes, approval is given to issue 3,000,000 Performance Rights to the Managing Director of the Company, Mr Gavin Lockyer, or his nominee under the Performance Rights Plan, as described in the Explanatory Memorandum”.

Voting Exclusion Statement

The Company will disregard any votes cast in favour of Resolution 6 by or on behalf of any Director (or their nominee) of the Company who is eligible to participate in the Performance Rights Plan and any associate of such Director.

However the Company need not disregard a vote if:

- (a) It is cast by a person as a proxy who is entitled to vote, in accordance with the directors on the proxy form; or
- (b) It is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

A vote on this Resolution 6 must not be cast (in any capacity) by or on behalf of Mr Gavin Lockyer or his associates except where it is cast by a person as a proxy appointed in writing that specifies how the proxy is to vote on the proposed resolution and it is not cast on behalf of Mr Gavin Lockyer or his associates.

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Other business

To deal with any other business which may be brought forward in accordance with the Company's Constitution or the Corporations Act.

Explanatory Memorandum

Shareholders are referred to the Explanatory Memorandum accompanying and forming part of this Notice of Meeting.

Capitalised terms which are not defined in this Notice of Meeting and Explanatory Memorandum are defined in **Annexure A** to the Explanatory Memorandum.

Resolutions are not inter-dependent

The resolutions are not inter-dependent. This means that a resolution may be passed notwithstanding that one or more of the other resolutions are not passed.

Snapshot date

It has been determined that in accordance with regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), for the purposes of the Annual General Meeting, Shares will be taken to be held by the persons who are the registered holders at **4.00 pm WST on 20 November 2018**. Accordingly, Share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

Chairman and Chairman's voting intentions for undirected proxies

It is proposed that the Chairman of the Meeting be the Chairman of the Board of Directors, Mr. Ian Kowalick. It is the Chairman's intention to vote undirected proxies which he holds as proxy in favour of all resolutions where possible.

How to vote

You may vote by attending the meeting in person, by proxy or by authorised representative. A corporate shareholder may also appoint a corporate representative.

Voting in person

To vote in person, attend the meeting on the date and at the place set out above. The meeting will commence at **9.00am WST on 22 November 2018**.

Voting by proxy

A shareholder entitled to attend and vote has a right to appoint a proxy to attend and vote instead of the shareholder. A proxy need not be a shareholder and can be either an individual or a body corporate. If a shareholder appoints a body corporate as a proxy, that body corporate will need to ensure that it:

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- appoints an individual as its corporate representative to exercise its powers at the meeting, in accordance with section 250D of the Corporations Act; and
- provides satisfactory evidence of the appointment of its corporate representative.

If such evidence is not received, then the body corporate (through its representative) will not be permitted to act as a proxy.

A shareholder that is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the shareholder's votes.

Voting online

Shareholders may vote online at www.linkmarketservices.com.au; To vote online, select "Investor Login" and enter Arafura Resources Limited or ASX code 'ARU' in the 'Issuer Name' field, your Securityholder Reference Number ('SRN') or Holder Identification Number ('HIN') (which is shown on the front of your Proxy Form), postcode and security code which is shown on the screen and click 'Login'. Select the "Voting" tab and then follow the prompts. You will be taken to have signed and returned your Proxy Form if you vote online in accordance with the instructions given on the website. If you choose to vote online, you must vote by no later than 9.00am WST on 20 November 2018.

Lodgement of proxy forms

To be effective, completed proxy forms must be returned by:

- mail to Arafura Resources Limited, C/- Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235 Australia;
- facsimile +61 2 9287 0309; or
- by hand to: Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138,

so that they are received no later than 9.00am WST on 20 November 2018.

Proxy forms or proxy voting instruction received after this time will be invalid.

Where the proxy form is executed under power of attorney, the power of attorney must be lodged in like manner as the proxy.

Voting by corporate representative

To appoint a corporate representative, contact the Company's share registry and obtain an Appointment of Corporate Representative form.

Voting prohibition by proxy holders (remuneration of Key Management Personnel)

To the extent required by section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on Resolutions 1, 5 or 6, if the person is either a member of Key Management Personnel or a Closely Related Party of such a member and the appointment does not specify the way the proxy is to vote on the Resolution. However, the proxy may vote if the proxy is the chair and the appointment expressly

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authorises the chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of Key Management Personnel.

If the chair is appointed as your proxy and you have not specified the way the chair is to vote on Resolutions 1, 5 or 6 by signing and returning the Proxy Form (including via the online voting facility described above), you are considered to have provided the chair with an express authorisation for the chair to vote the proxy in accordance with the chair's intention, even though the Resolution is connected directly or indirectly with the remuneration of Key Management Personnel.

Questions and comments by Shareholders at the meeting

In accordance with the Corporations Act, a reasonable opportunity will be given to Shareholders to ask questions about or make comments on the management of the Company at the meeting.

Similarly, a reasonable opportunity will be given to Shareholders to ask the Company's external auditor, BDO Audit (WA) Pty Ltd, questions relevant to:

- the conduct of the audit;
- the preparation and content of the auditor's report;
- the accounting policies adopted by the Company in relation to the preparation of its financial statements; and
- the independence of the auditor in relation to the conduct of the audit.

Shareholders may also submit written questions to BDO Audit (WA) Pty Ltd if the questions are relevant to the content of the BDO audit report or the conduct of its audit of the Company's financial report for the period ended 30 June 2018. Relevant written questions for BDO Audit (WA) Pty Ltd must be received by mail at the PO Box of the Company (PO Box 5773, St Georges Terrace, Perth, WA 6831) or via email at arapura@arulld.com, no later than the fifth business day before the date of the Meeting.

A list of the relevant written questions together with responses will be made available to shareholders attending the meeting. They will also be placed on the Company's website.

The following details should be included with written questions:

- the **Shareholder's Name**; and
- either the Shareholder's **Security Reference Number (SRN)** or **Holder Identification Number (HIN)**.

By order of the Board

Dated this 19 September 2018.



Peter Sherrington
Company Secretary

Explanatory Memorandum

Introduction

This Explanatory Memorandum has been prepared to assist Shareholders to understand the business to be put to shareholders at the forthcoming Annual General Meeting.

This Explanatory Memorandum should be read in conjunction with the accompanying Notice of Meeting. Please refer to **Annexure A** for definitions of capitalised terms in this Notice of Meeting and Explanatory Memorandum.

Business

Annual Report

The Corporations Act requires the following reports in respect of the year ended 30 June 2018 to be laid before the Annual General Meeting:

- (a) the reports of the Directors and auditors; and
- (b) the annual financial report, including the Company's financial statements.

Neither the Corporations Act nor the Company's Constitution requires a vote of Shareholders on the reports or statements.

Each of these reports are contained in the Company's 2018 Annual Report which has been sent to Shareholders and which is available at www.arultd.com.

Shareholders will have a reasonable opportunity at the meeting to ask questions and make comments on these reports and on the business and operations of the Company. Shareholders will also be given a reasonable opportunity to ask the auditor questions about the Auditor's Report and the conduct of the audit of the financial report.

1 Resolution 1 – Remuneration report

The Remuneration Report of the Company for the financial year ending 30 June 2018 is set out in the Directors' Report on pages 25 to 37 of the Company's Annual Report 2018 which was released to the market on 19 September 2018.

The Remuneration Report sets out the Company's remuneration arrangements for the Executive and Non-Executive Directors and Executive employees of the Company.

Members attending the AGM will be given a reasonable opportunity to ask questions about, or make comments on, the Remuneration Report.

The Corporations Act requires that a resolution be put to the vote that the Remuneration Report be adopted. The Corporations Act expressly provides that the vote is advisory only and the resolution itself does not bind the Directors of the Company. However, whilst the resolution itself does not bind the Directors of the Company, if at least 25% of the votes cast on Resolution 1 are against the resolution in two consecutive years, starting at this 2018 AGM, shareholders will be required to vote at the second of those AGM's on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of the Company's Directors (other than the Managing Director / Chief Executive Officer) must stand for re-election. The Company encourages all Shareholders to cast their votes on Resolution 1.

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2 Resolution 2 - Re-election of Quangsheng Zhang as Director

Quangsheng Zhang retires by rotation in accordance with rule 7.1(d) of the Company's Constitution and, being eligible, offers himself for re-election.

The experience, qualifications and other information about Mr. Zhang appears below:

Mr. Zhang was first appointed as Non-Executive Director on 18 November 2016.

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

The Directors (excluding Mr. Zhang) recommend that Shareholders vote in favour of Resolution 2.

3 Resolution 3 – Re-election of Terry Grose as Director

Terry Grose retires by rotation in accordance with rule 7.1(d) of the Company's Constitution and, being eligible, offers himself for re-election.

The experience, qualifications and other information about Mr. Grose appears below:

Mr. Grose was first appointed as Non-Executive Director on 21 February 2013 and is currently the Chairman of the Audit and Risk Committee and a member of the Remuneration and Nomination Committee.

Mr. Grose has a strong commercial background gained over 30 years as a senior business executive, consultant and Director, in Australia and internationally.

Mr. Grose spent a number of years in merchant banking before joining Wesfarmers Limited in 1985 as its first Business Development Manager. During the ensuing decade he held various senior management positions in Wesfarmers' corporate office, its fertiliser & chemicals division and its coal mining division. For several years he was General Manager of International Business Development.

Mr. Grose 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 firm with clients throughout Asia.

Since returning to Australia in 2008 he has worked as a consultant specialising in strategic planning and financial management and as a director of several companies.

Mr. Grose is a Fellow of the Australian Institute of Company Directors and is currently a Director of Yirra Yaakin Aboriginal Corporation, Rolltrak Spares Pty Ltd and Central Desert Native Title Services Limited.

The Directors (excluding Mr. Grose) recommend that Shareholders vote in favour of Resolution 3.

4 Resolution 4 – Election of Mark Southey as Director

Mr. Southey was elected by the directors on 30 January 2018 as an addition to the Board under rule 7.1(b) of the Company's Constitution and, in accordance with rule 7.1(c), holds office until the conclusion of the AGM. Being eligible, Mr. Southey stands for election in accordance with rule 7.1(i) of the Company's Constitution.

Mr. Southey has extensive global experience in the industrial and natural resources sectors covering all aspects of asset management, maintenance, design and engineering, and major capital project development and execution. He is well versed in public company board and institutional investor engagement and has a background in both senior operational and financial roles.

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Mr. 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, a leader in the engineering, procurement and construction of projects in the energy and resources sector where he held the position of Group Managing Director for the Minerals, Metals and Chemicals Sector.

The Directors recommend that the Company's shareholders vote in favour of Resolution 4.

5 Background to Resolutions 5 and 6

The Company has in place the following incentive plans:

- a) the Arafura Resources Limited Employee Option Plan (**2017 Option Plan**); and
- b) the Arafura Resources Limited Performance Rights Plan (**Performance Rights Plan**).

These incentive plans were approved by Shareholders at the Annual General Meeting held on 16 November 2017 for the purposes of exception 9 to Listing Rule 7.2. A summary of the terms of the 2017 Option Plan and the Performance Rights Plan are set out in Annexures B and C respectively of the Explanatory Memorandum.

Further details in relation to these incentive plans are set out in the 2017 notice of Annual General Meeting which was released to ASX on 6 October 2017. The Board seeks the following approvals in respect of the issue of a specified number of Options under the 2017 Option Plan and a specified number of Performance Rights under the Performance Rights Plan.

Overview of Listing Rules and approvals sought

Issue of securities to related parties - Listing Rules 10.11 and 10.14

Listing Rule 10.11 requires a listed entity to obtain shareholder approval for the issue of securities to related parties, which includes a director of the Company.

Listing Rule 10.12, exception 4 provides that approval under Listing Rule 10.11 is not required where securities are to be issued to a person under an employee incentive scheme that has been approved under Listing Rule 10.14. Listing Rule 10.14 requires a listed entity to obtain shareholder approval for the issue of securities under an 'employee incentive scheme' to certain parties, including a director, or an associate of a director, of the company.

Accordingly, the Company is seeking Shareholder approval under Listing Rule 10.14 before issuing 4,750,000 Options to Mr Gavin Lockyer (or his nominee) under the 2017 Option Plan, and before issuing 3,000,000 Performance Rights to Mr Gavin Lockyer (or his nominee) under the terms of the Performance Rights Plan. The Options and Performance Rights will be issued as soon as practicable after the Meeting and in any event within 12 months after the date of the Meeting. Resolutions 5 and 6 seek Shareholder approval for this purpose.

If approval is given under Listing Rule 10.14, approval is not required under Listing Rule 7.1 (and, if approved, the issues of Options and Performance Rights under Resolutions 5 and 6 will not therefore count towards the Company's Listing Rule 7.1 placement capacity).

All of the information that is required to be provided to Shareholders under Listing Rule 10.15 in order to obtain Shareholder approval under Listing Rule 10.14 for Resolutions 5 and 6 is set out below.

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Financial Benefit - Part 2E.1 of the Corporations Act

The grant of Options and Performance Rights to Mr Gavin Lockyer (or his nominee) under the terms of the 2017 Option Plan and the Performance Rights Plan will constitute the giving of a financial benefit for the purposes of Part 2E.1 of the Corporations Act.

Section 208(1) of the Corporations Act states that for a public company to give a financial benefit to a related party of the public company (which includes its directors):

- a) the public company must (i) obtain the approval of the public company's shareholders; and (ii) give the benefit within 15 months after the approval; or
- b) the giving of the benefit must fall within an exception set out in sections 210 to 216.

The arm's length and reasonable remuneration exceptions to the requirement for Shareholder approval contained in sections 210 and 211 of the Corporations Act may well apply, however, the Directors consider that it is prudent to seek Shareholder approval for the purposes of section 208 of the Corporations Act in any event.

All of the information that is material to the decision on how to vote on Resolutions 5 and 6 for the purposes of section 208(1) of the Corporations Act is set out below in respect of the relevant Resolutions.

6 Resolution 5 - Issue of Options to Gavin Lockyer

Resolution 5 seeks Shareholder approval under Listing Rule 10.14 and section 208(1) of the Corporations Act for the proposed grant of 4,750,000 Options to Mr Gavin Lockyer (or his nominee) under the 2017 Option Plan in three tranches as follows:

Tranche	Vesting Condition
Tranche 1 – 1,583,334 Options	Tranche 1 Options will vest on 1 July 2019
Tranche 2 – 1,583,333 Options	Tranche 2 Options will vest on 1 July 2020
Tranche 3 – 1,583,333 Options	Tranche 3 Options will vest on 1 July 2021

The Options shall expire on 1 July 2022 at 5pm WST.

The exercise price of the Options will be \$0.12 per Option.

Mr Gavin Lockyer, as Managing Director of the Company, is entitled to participate in the 2017 Option Plan. The Board considers that the issue of Options to Mr Lockyer (or his nominee) under the 2017 Option Plan is in the Company's interests as it further aligns the interests of Mr Lockyer as the Managing Director with the interests of the Company's Shareholders in order to maximise Shareholder value. Further, the issue of Options provides cost effective consideration to Mr Lockyer in his role as Managing Director of the Company.

If Mr Lockyer ultimately decides to exercise the Options, Mr Lockyer will be required to pay the Company an aggregate exercise price of \$570,000, which funds will be used by the Company to further its projects and for additional working capital.

Resolution 5 is an ordinary resolution.

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(a) Information required by Listing Rule 10.15

Listing Rule 10.15 sets out the information that must be provided to Shareholders in order to obtain Shareholder approval under Listing Rule 10.14. The following information is provided in accordance with Listing Rule 10.15:

- (i) Subject to Resolution 5 being passed, the person to acquire Options under the 2017 Option Plan is Mr Gavin Lockyer, the Managing Director of the Company (or his nominee).
- (ii) Subject to Resolution 5 being passed, Mr Gavin Lockyer (or his nominee) will acquire 4,750,000 Options under the 2017 Option Plan.
- (iii) The 4,750,000 Options will be issued to Mr Gavin Lockyer (or his nominee) for nil consideration (in line with the terms of the 2017 Option Plan, which is summarised in Annexure B of this Explanatory Memorandum).
- (iv) 14,605,000 Options have been issued under the 2017 Option Plan to date. None of these Options were issued to persons referred to in Listing Rule 10.14.
- (v) All Directors are entitled to participate in the 2017 Option Plan.
- (vi) A voting exclusion statement in respect of Resolution 5 is set out in the Notice.
- (vii) No loan will be provided in relation to the acquisition of the Options.
- (viii) It is proposed that Mr Gavin Lockyer (or his nominee) will be issued the Options as soon as practicable after (and in any event within 12 months after) the date of the Meeting.

(b) Information required for the purposes of Chapter 2E of the Corporations Act

Section 219 of the Corporations Act sets out the information that must be provided to Shareholders in order to obtain Shareholder approval under section 208(1). The following information is provided in accordance with section 219 of the Corporations Act and the corresponding ASIC policy:

- (i) Subject to Resolution 5 being passed, the financial benefit would be given to Mr Gavin Lockyer, the Managing Director of the Company (or his nominee).
 - (ii) The nature of the financial benefit is granting Mr Gavin Lockyer (or his nominee) 4,750,000 Options for nil cash consideration under the 2017 Option Plan (please refer to Annexure B for the terms
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and conditions of the 2017 Option Plan) with those Options exercisable by 1 July 2022 at 5pm WST at a price of \$0.12 per Option.

- (iii) The Board has determined that an indicative total value of the Options is \$137,250 using a Black Scholes option pricing model. Its valuation was based on the following assumptions:

Underlying Security Value*	\$0.079
Exercise Price	\$0.12
Valuation Date*	7 September 2018
Expiration Date	1 July 2022
Life of the Options	4 years
Volatility	77.3%
Risk free rate	2.09%
Number of Options to be issued to Mr Gavin Lockyer	4,750,000
Valuation per Option	Tranche 1: \$0.0325 Tranche 2: \$0.0289 Tranche 3: \$0.0253
Valuation of each Tranche of Options	Tranche 1: \$51,469 Tranche 2: \$45,750 Tranche 3: \$40,031
Discount rate:	Tranche 1: 10% Tranche 2: 20% Tranche 3: 30%

* Based on the closing Share price on 7 September 2018, the last trading day before the date the Options were valued. Note, the options will be revalued using grant date of 20 November 2018 once approved by shareholders.

- (iv) The number of Options to be granted to Mr Gavin Lockyer (or his nominee) was determined having regard to Mr Gavin Lockyer's performance, current market conditions and other remuneration he is due to receive under his terms of engagement and the exercise price was determined as an incentive linked to performance of the Company.
- (v) Mr Gavin Lockyer's total remuneration package from the Company for the previous financial year and the estimated remuneration for the current financial year are set out below:

	Salary and Fees	Non-Monetary benefits	Superannuation	Share based payments	Other (Long Service Leave)	Total
2017	\$396,100	\$2,269	\$30,000	\$9,307	\$7,286	\$444,962
2018	\$401,100	\$2,426	\$25,000	\$2,334	\$(7,377)	\$423,483

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- (vi) Mr Gavin Lockyer held or had interests in the following securities in the Company as at the date of this Notice:

	Shares	Options	Performance Rights
Gavin Lockyer	843,768	3,000,000	Nil

- (vii) The trading history of the Shares on ASX in the 12 months before the date of this Notice is set out below:

	Price	Date
Highest	\$0.14474	12 October 2017
Lowest	\$0.07700	12 September 2018
Last	\$0.07800	18 September 2018

- (viii) If the 4,750,000 Options granted to Mr Gavin Lockyer (or his nominee) are exercised, a total of 4,750,000 Shares would be issued. This will increase the number of Shares on issue from 628,249,943 to 632,999,943 (assuming no other Options or Performance Rights are exercised and no other Shares are issued) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 0.75%.
- (ix) The market price for the Shares during the term of the Options would normally determine whether or not the Options are exercised. If, at any time any of the Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Options, there may be a perceived cost to the Company.
- (x) The Board considers that the grant of Options to Mr Gavin Lockyer (or his nominee) under the 2017 Option Plan is in the Company's interests as it further aligns the interests of Mr Gavin Lockyer as the Managing Director of the Company with the interests of the Company's Shareholders in order to maximise Shareholder value. Further, the issue of the Options provides cost effective consideration to Mr Gavin Lockyer in his role as Managing Director of the Company. The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Options to Mr Gavin Lockyer on the terms proposed.
- (xi) The Directors do not make any recommendation to Shareholders in respect of Resolution 5 since this Resolution concerns a Director's remuneration and, as such, there may be a conflict of interest.
- (xii) Mr Gavin Lockyer has a material personal interest in the outcome of Resolution 6 since he (or his nominee) will receive 4,750,000 Options under the 2017 Option Plan if the Resolution is approved by Shareholders.
- (xiii) A voting exclusion is set out in the Notice.
- (xiv) The Board and the Company are not aware of any other information (other than the information set out or referred to in this Explanatory Memorandum and in the Remuneration Report) that would be reasonably required by Shareholders to allow them to make a decision as to whether it is in the best interests of the Company to pass this Resolution.
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Explanatory Memorandum

7 Resolution 6 – Issue of Performance Rights to Gavin Lockyer

Resolution 6 seeks Shareholder approval under Listing Rule 10.14 and section 208(1) of the Corporations Act for the proposed grant of 3,000,000 Performance Rights to Mr Gavin Lockyer (or his nominee) under the Performance Rights Plan in three Tranches as follows:

Tranche	Performance/Vesting Condition	Number of Performance Rights
Tranche 1	Completion of a Definitive Feasibility Study within 25% or better of US\$680m Capex and \$35/kg NdPr Opex (excluding Phosphate credit) for the Company's Nolans NdPr Project and continuous service as Managing Director for at least 24 months from the above milestone being achieved.	500,000
Tranche 2	The Company being granted a Mining Lease from the Northern Territory Department of Primary Industry and Resources in relation to the Nolans NdPr Project and continuous service as Managing Director for at least 24 months from the above milestone being achieved.	500,000
Tranche 3	Funding for the Company's Nolans NdPr project being secured on terms acceptable to the Board and continuous service as Managing Director for at least 24 months from the above milestone being achieved.	2,000,000

Each Tranche of Performance Rights will (if not vested) lapse four years after the issue of those Performance Rights.

Mr Gavin Lockyer, as Managing Director of the Company, is entitled to participate in the Performance Rights Plan. The Board considers that the issue of Performance Rights to Mr Lockyer (or his nominee) under the Performance Rights Plan is in the Company's interests as it further aligns the interests of Mr Lockyer as the Managing Director with the interests of the Company's Shareholders in order to maximise Shareholder value. Further, the issue of Performance Rights provides cost effective consideration to Mr Lockyer in his role as Managing Director of the Company.

No exercise price will be payable in relation to the Performance Rights once the relevant performance conditions have been achieved. No exercise price is payable on exercise of the Performance Rights and the Company will not raise any funds from the grant of the Performance Rights to Mr Gavin Lockyer (or his nominee).

Resolution 6 is an ordinary resolution.

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(a) Information required by Listing Rule 10.15

Listing Rule 10.15 sets out the information that must be provided to Shareholders in order to obtain Shareholder approval under Listing Rule 10.14. The following information is provided in accordance with Listing Rule 10.15:

- (i) Subject to Resolution 6 being passed, the person to acquire Performance Rights under the Performance Rights Plan is Mr Gavin Lockyer, the Managing Director of the Company (or his nominee).
- (ii) Subject to Resolution 6 being passed, Mr Gavin Lockyer (or his nominee) will acquire 3,000,000 Performance Rights under the Performance Rights Plan.
- (iii) The 3,000,000 Performance Rights will be issued to Mr Gavin Lockyer (or his nominee) for nil consideration (in line with the terms of the Performance Rights Plan, which is summarised in Annexure C of this Explanatory Memorandum).
- (iv) 7,000,000 Performance Rights have been issued under the Performance Rights Plan to date. None of these Performance Rights were issued to persons referred to in Listing Rule 10.14.
- (v) All Directors are entitled to participate in the Performance Rights Plan.
- (vi) A voting exclusion statement in respect of Resolution 6 is set out in the Notice.
- (vii) No loan will be provided in relation to the acquisition of the Performance Rights.
- (viii) It is proposed that Mr Gavin Lockyer (or his nominee) will be issued the Performance Rights as soon as practicable after (and in any event within 12 months after) the date of the Meeting.

(b) Information required for the purposes of Chapter 2E of the Corporations Act

Section 219 of the Corporations Act sets out the information that must be provided to Shareholders in order to obtain Shareholder approval under section 208(1). The following information is provided in accordance with section 219 of the Corporations Act and the corresponding ASIC policy:

- (i) Subject to Resolution 6 being passed, the financial benefit would be given to Mr Gavin Lockyer (or his nominee), the Managing Director of the Company.
 - (ii) The nature of the financial benefit is granting Mr Gavin Lockyer (or his nominee) 3,000,000 Performance Rights for nil cash consideration under the Performance Rights Plan (please refer to Annexure C for the terms and conditions of the Performance Rights Plan) with the performance conditions attached to those Performance Rights as set out above.
 - (iii) The Board has determined the initial undiscounted value of a Performance Right is the value of an underlying share in the Company as traded on ASX at the date the Performance Right is granted. As the performance conditions are a mix of market and non-market based performance conditions, under International Financial Reporting Standards (IFRS), no discount is applied. Based on the closing Share price on 18 September 2018, the last trading day before the date the Performance
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Explanatory Memorandum

Rights were valued, an indicative value of the proposed Performance Rights to be granted is \$234,000. The valuation took into account the following matters:

- a. the valuation of Performance Rights assumes that the exercise of a right does not affect the value of the underlying asset;
 - b. under AASB 2 'Share Based Payments' and option valuation theory, no discount is made to the fundamental value for unlisted rights over listed shares;
 - c. the performance and service conditions determine the number of Performance Rights to be issued; they do not have an effect on the value of each Performance Right; and
 - d. given that the Performance Rights are to be issued for no consideration, the value of the Performance Rights will be reflected in the underlying Share price at the valuation date subsequent to shareholder approval.
- (iv) The number of Performance Rights to be granted to Mr Gavin Lockyer (or his nominee) was determined having regard to Mr Gavin Lockyer's performance, current market conditions and other remuneration he is due to receive under his terms of engagement. No exercise price is payable on exercise of the Performance Rights and the Company will not raise any funds from the grant of the Performance Rights to Mr Gavin Lockyer.
- (v) Information about Mr Gavin Lockyer's remuneration and interest held in the Company are set out in the Explanatory Memorandum for Resolution 5.
- (vi) The trading history of the Shares on ASX in the 12 months before the date of this Notice is set out in the Explanatory Memorandum for Resolution 5.
- (vii) If the 3,000,000 Performance Rights granted to Mr Gavin Lockyer (or his nominee) are exercised, a total of 3,000,000 Shares would be issued. This will increase the number of Shares on issue from 628,249,943 to 631,249,943 (assuming no other Options or Performance Rights are exercised and no other Shares are issued) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 0.47%.
- (viii) The Board considers that the grant of Performance Rights to Mr Gavin Lockyer (or his nominee) under the Performance Rights Plan is in the Company's interests as it further aligns the interests of Mr Gavin Lockyer as the Managing Director of the Company with the interests of the Company's Shareholders in order to meet specific Board approved performance targets and generally to maximise Shareholder value. Further, the issue of the Performance Rights provides cost effective consideration to Mr Gavin Lockyer in his role as Managing Director of the Company. The Board does not consider that there are any significant opportunity costs to the Company or benefits
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Explanatory Memorandum

foregone by the Company in issuing the Performance Rights to Mr Gavin Lockyer (or his nominee) on the terms proposed.

- (ix) The Directors do not make any recommendation to Shareholders in respect of Resolution 6 since this Resolution concerns a Director's remuneration and, as such, there may be a conflict of interest.
 - (x) Mr Gavin Lockyer has a material personal interest in the outcome of Resolution 6 since he (or his nominee) will receive 3,000,000 Performance Rights under the Performance Rights Plan if the Resolution is approved by Shareholders.
 - (xi) A voting exclusion is set out in the Notice.
 - (xii) The Board and the Company are not aware of any other information (other than the information set out or referred to in this Explanatory Memorandum and in the Remuneration Report) that would be reasonably required by Shareholders to allow them to make a decision as to whether it is in the best interests of the Company to pass this Resolution.
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Annexure A – Definitions

The meanings of capitalised terms used in this Notice of Meeting and Explanatory Memorandum are set out below:

2017 Option Plan has the meaning given in the Explanatory Memorandum under the heading 'Background to Resolutions 5 and 6'.

AGM or Meeting means the Company's annual general meeting to be held on 22 November 2018 at 9 a.m. WST.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given to the term "associate" in Chapter 19 of the Listing Rules.

Associated Bodies Corporate means:

- (a) a body corporate that is a related body corporate of the Company;
- (b) a body corporate that has Voting Power in the Company of not less than 20%; or
- (c) a body corporate in which the Company has Voting Power of not less than 20%.

ASX means the ASX Limited or the Australian Securities Exchange operated by ASX Limited, as the context requires.

Board means the board of Directors.

Casual Employee means an individual who is, or might reasonably be expected to be, engaged to work the number of hours that are the pro rata equivalent of 40% or more of a comparable full-time position with a member of the Group.

Closely Related Parties ("CRP") of a KMP means; spouse or child of the KMP, a child of the KMP's spouse, a dependent of the KMP or KMP's spouse, anyone else who is a member of the KMP's family and may be expected to influence the KMP or be influenced by the KMP, in the KMP's dealing with the Company, a company the KMP controls or a person prescribed by the Corporations Regulations.

Company or **Arafura** means Arafura Resources Limited ABN 22 080 933 455.

Contractor means:

- (a) an individual with whom a member of the Group has entered into a contract for the provision of services under which the individual performs work for that member of the Group; or
- (b) a company with whom a member of the Group has entered into a contract for the provision of services under which an individual, who is a director of the company or their spouse, performs work for that member of the Group,

where the individual who performs the work under or in relation to the contract is, or might reasonably be expected to be, engaged to work the number of hours that are the pro rata equivalent of 40% or more of a comparable full-time position with the member of the Group.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a Director of the Company.

Annexure A – Definitions

Eligible Executive means an Executive nominated by the Board and whom the Board determines in its absolute discretion is to participate in the 2017 Option Plan or the Performance Rights Plan (as applicable) and who has not given or been given a notice of termination of employment.

Equity Security has the meaning given in the Listing Rules.

Explanatory Memorandum means the explanatory memorandum to the Notice.

Executive means a person who is at the time of an offer under the 2017 Option Plan or the Performance Rights Plan (as applicable):

- (a) a full or part-time employee (including an executive Director);
- (b) a non-executive Director;
- (c) a Contractor;
- (d) a Casual Employee; or
- (e) a Prospective Participant,
- (f) of a member of the Group.

Group means the Company and its Associated Bodies Corporate.

Key Management Personnel (“KMP”) has the meaning given under the *Accounting Standards*, namely ‘key management personnel’ are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly and includes any Director (whether executive or otherwise) of the Company.

Listing Rules means the Listing Rules of ASX.

Nominee means: nominee of an Eligible Executive that is one of the following:

- (a) an immediate family member of the Eligible Executive;
- (b) a company whose members comprise no persons other than the Eligible Executive or immediate family members of the Eligible Executive; or
- (c) a corporate trustee of a self-managed superannuation fund (within the meaning of the *Superannuation Industry (Supervision) Act 1993* (Cth)) where the Eligible Executive is a director of the trustee.

Notice or Notice of Annual General Meeting means this Notice of Annual General Meeting.

Option means an unlisted option to acquire a Share.

Participant means an Eligible Executive who is deemed to have accepted an offer under the 2017 Option Plan or the Performance Rights Plan (as applicable) and to whom an Option or Right is (or is to be) issued under either plan, or its Nominee (as the context requires).

Performance Rights or Rights means rights which carry the entitlement to be issued Shares on satisfaction of performance conditions determined by the Board.

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Annexure A – Definitions

Performance Rights Plan has the meaning given in the Explanatory Memorandum under the heading 'Background to Resolutions 5 and 6'.

Prospective Participant means a person to whom an offer is made under the 2017 Option Plan or the Performance Rights Plan (as applicable) but who can only accept that offer if an arrangement has been entered into that will result in the person becoming covered by one of paragraphs (a) to (d) of the definition of Executive.

Proxy Form means the proxy form attached to the Notice.

Remuneration Report means the report commencing on page 25 of the Company's 2018 Annual Report which was released to the market on 19 September 2018.

Retirement in relation to a Participant means the retirement by the Participant from employment or engagement by any member of the Group.

Resolution means a resolution contained in the Notice.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a shareholder of the Company

Total and Permanent Disablement means in relation to a Participant means that the Participant has, in the opinion of the Board, after considering such medical and other evidence as it sees fit, become incapacitated to such an extent as to render the Participant unlikely ever to engage in any occupation for which he or she is reasonably qualified by education, training or experience.

WST means Western Australian Standard Time.

Voting Power has the meaning given in section 610 of the Corporations Act.

Annexure B- Summary of Employee Option Plan

In this Annexure B, references to “Plan” mean references to the 2017 Option Plan.

The key terms of the Plan are as follows:

- (a) The Board may offer Options to Eligible Executives in the form of an “Offer Document”.
- (b) The Board may offer Options to Eligible Executives having regard to the seniority of the Eligible Executive and the position the Eligible Executive occupies in the Group, each Eligible Executive’s length of service with the Group, the record of employment of the Eligible Executive with the Group, the contribution the Eligible Executive has made to the Group, the potential contribution of the Eligible Executive to the Group and any other matters which the Board considers relevant.
- (c) No issue price is payable for the Options and the Offer Document will set out (among other things) the number of Options offered, the exercise price for an Option, the date the Options will expire and any other information required by law or the Listing Rules or considered by the Board to be relevant.
- (d) Upon receipt of an offer, an Eligible Executive may, by notice in writing to the Board, nominate a Nominee in whose favour the Eligible Executive wishes to renounce the offer. The Board may, in its discretion, resolve not to allow a renunciation of an offer in favour of a Nominee without giving any reason for that decision.
- (e) Each Option will entitle a Participant to subscribe for and be issued one Share at the exercise price set out in the offer.
- (f) Options may not be transferred.
- (g) Options will not be quoted on ASX.
- (h) Any Shares issued on exercise of Options will rank equally with all existing Shares on issue.
- (i) the Board may determine (at any time) that some or all Options are or will become exercisable immediately if:
 - (1) a takeover bid (as defined in the Corporations Act) is made in respect of Shares and both the bidder obtains Voting Power in the Company of 50% or more and the takeover offers are made or declared unconditional (other than for the happening of the events or circumstances set out in section 652C(1) and (2) of the Corporations Act or the condition set out in section 625(3) of the Corporations Act); or
 - (2) a transaction by way of compromise or arrangement under Part 5.1 of the Corporations Act is approved by the requisite majorities of members of the Company at a meeting convened in accordance with the order of a court under section 411(1) of the Corporations Act; or
 - (3) an event or transaction by which an entity becomes or is to become the registered holder of more than 50% of the total issued Shares is approved or accepted by a majority of members of the Company.
- (j) An Option not exercised will lapse on the first to occur of:
 - (1) the expiry date of the Option as set out in the Offer Document;
 - (2) the expiry of 30 days, or any longer period which the Board determines, after the Participant ceases to be employed or engaged by any member of the Group for any reason, including death, Total and Permanent Disablement or Retirement; and
 - (3) a determination of the Board that the Participant has acted fraudulently, dishonestly or in breach of the Participant’s obligations to the Company or any member of the Group and that the Option is to be forfeited.

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Annexure B- Summary of Employee Option Plan

- (k) The Board may, in its sole discretion, before an Option expires, determine that an Option will not lapse under the circumstances set out in paragraph (j) above if the Participant has ceased to be employed by any member of the Group as a result of:
- (1) Total and Permanent Disablement, ill health, death, economic necessity or any other factor not attributable to the conduct or performance of that person; or
 - (2) Retirement under circumstances that are not related to the conduct or performance of that person,
- in which case the Option will, subject to the Plan, remain exercisable by the Participant (or, where applicable, the Participant's executor, administrator or legal personal representative) until the date determined by the Board or until the Option otherwise lapses in accordance with the Plan.
- (l) The Board may stipulate in an Offer Document (or elsewhere) that Options may only be exercised if the Company (or a business division) achieves stipulated performance hurdles.
- (m) If, when making an offer of Options under the Plan, the Company does so in reliance on ASIC Class Order [CO 14/1000], it must, at the time of making the offer, have reasonable grounds to believe that the number of Shares that have been, or may be, issued in any of the circumstances covered by the following paragraphs will not exceed 5% of the total number of Shares:
- (1) Shares that may be issued under the offer or any other offer to be made under the Plan (to the extent offered in reliance on ASIC Class Order [CO 14/1000]);
 - (2) Shares issued or that may be issued as a result of offers made at any time during the previous three year period under:
 - (3) the Plan or any other Employee Incentive Scheme in reliance on ASIC Class Order [CO 14/1000] or its predecessors; or
 - (4) an ASIC exempt arrangement of a similar kind to an Employee Incentive Scheme.
- (n) Offers of Options made or Shares issued other than in reliance on ASIC Class Order [CO 14/1000] or its predecessors (such as offers received outside of Australia or under an exception in section 708 of the Corporations Act) will not be included in calculating the 5% limit.
- (o) A Participant may only participate in new issues of securities to shareholders if the Option has been exercised, if that is permitted by its terms, and the Shares have been issued in respect of the Option before the record date for determining entitlements to the issue. If required by the Listing Rules, the Company must give notice to Participants of any new issue before the record date for determining entitlements to the issue.
- (p) If the Company makes a bonus issue of Shares or other securities pro rata to shareholders (other than an issue in lieu of, or in satisfaction of, dividends or by way of dividend reinvestment) and no Shares have been issued in respect of an Option before the record date for determining entitlements to the bonus issue then the number of securities over which the Option is exercisable will be increased by the number of securities which the Option holder would have received if the Option had been exercised before the record date for the bonus issue.
- (q) If the Company makes an offer of Shares pro rata to all or substantially all shareholders (other than an issue in lieu of or in satisfaction of dividends or by way of dividend reinvestment) for a subscription price which is less than the market price (defined below as P) and no Shares have been issued in respect of an Option before the record date for determining entitlements to the rights issue then the exercise price per Share will be reduced according to the following formula:

$$O^1 = 0 - \frac{E(P-(S+D))}{N+1}$$

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Annexure B- Summary of Employee Option Plan

where:

O^1 = the new exercise price of each Option;

O = the old exercise price of each Option;

E = the number of underlying securities into which one Option is exercisable;

P = the average market price of Shares (weighted by reference to volume) sold in the ordinary course of trading on the ASX during the five trading days before the ex rights date or ex entitlements date;

S = the subscription price (application money plus calls) for new Shares issued under the rights issue;

D = any dividends due but not yet paid on existing Shares (except those to be issued under the rights issue); and

N = the number of Shares required to be held to receive a right to one new Share.

The number of Shares which the Participant is entitled to subscribe for on exercise of the Option will not change.

- (r) In the event of any reorganisation of the capital of the Company, the rights of an Option holder will be changed to the extent necessary to comply with the Listing Rules applying to such reorganisation at the time of the reorganisation.
 - (s) An Option carries no right to a dividend and no right to a vote.
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Annexure C – Summary of Performance Rights Plan

In this Annexure C, references to “Plan” mean references to the Performance Rights Plan.

The key terms of the Plan are as follows:

- (a) The Board may offer Rights to Eligible Executives in the form of an “Offer Document”.
- (b) The Board may offer Rights to Eligible Executives having regard to the seniority of the Eligible Executive and the position the Eligible Executive occupies in the Group, each Eligible Executive’s length of service with the Group, the record of employment of the Eligible Executive with the Group, the contribution the Eligible Executive has made to the Group, the potential contribution of the Eligible Executive to the Group and any other matters which the Board considers relevant.
- (c) No issue price is payable for the Rights.
- (d) No payment is required on vesting or exercise of a Right.
- (e) The Offer Document will set out (among other things) the number of Rights offered, the performance conditions that must be satisfied or circumstances which must exist before a Right vests, the period for satisfaction of a performance condition and any other information required by law or the Listing Rules or considered by the Board to be relevant.
- (f) Upon receipt of an offer, an Eligible Executive may, by notice in writing to the Board, nominate a Nominee in whose favour the Eligible Executive wishes to renounce the offer. The Board may, in its discretion, resolve not to allow a renunciation of an offer in favour of a Nominee without giving any reason for that decision.
- (g) Each Right which vests will entitle a Participant to be issued one Share.
- (h) Rights will be automatically exercised when the Rights vest.
- (i) Rights may not be transferred unless by force of law or upon death to the Participant’s legal personal representative or upon bankruptcy to the Participant’s trustee in bankruptcy.
- (j) Rights will not be quoted on ASX.
- (k) Any Shares issued on exercise of Rights will rank equally with all existing Shares on issue.
- (l) the Board may determine (at any time) that some or all Rights will vest early or will become exercisable immediately if:
 - (1) a takeover bid (as defined in the Corporations Act) is made in respect of Shares and both the bidder obtains Voting Power in the Company of 50% or more and the takeover offers are made or declared unconditional (other than for the happening of the events or circumstances set out in section 652C(1) and (2) of the Corporations Act or the condition set out in section 625(3) of the Corporations Act); or
 - (2) a transaction by way of compromise or arrangement under Part 5.1 of the Corporations Act is approved by the requisite majorities of members of the Company at a meeting convened in accordance with the order of a court under section 411(1) of the Corporations Act; or
 - (3) an event or transaction by which an entity becomes or is to become the registered holder of more than 50% of the total issued Shares is approved or accepted by a majority of members of the Company.
- (m) A Right not exercised will lapse on the first to occur of:
 - (1) the expiry date of the Right as set out in the Offer Document;
 - (2) the expiry of 30 days, or any longer period which the Board determines, after the Participant ceases to be employed or engaged by any member of the Group for any reason, including death, Total and Permanent Disablement or Retirement;

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- (3) a determination of the Board that the Participant has acted fraudulently, dishonestly or in breach of the Participant's obligations to the Company or any member of the Group and that the Option is to be forfeited; and
 - (4) a determination of the Board that there has been a failure to meet any performance condition applicable to the Right within the required period.
 - (n) The Board may, in its sole discretion, before a Right expires, determine that a Right will not lapse under the circumstances set out in paragraph (m) above if the Participant has ceased to be employed by any member of the Group as a result of:
 - (1) Total and Permanent Disablement, ill health, death, economic necessity or any other factor not attributable to the conduct or performance of that person; or
 - (2) Retirement under circumstances that are not related to the conduct or performance of that person, in which case the Right will, subject to the Plan, remain exercisable by the Participant (or, where applicable, the Participant's executor, administrator or legal personal representative) until the date determined by the Board or until the Right otherwise lapses in accordance with the Plan.
 - (o) If, when making an offer of Rights under the Plan, the Company does so in reliance on ASIC Class Order [CO 14/1000], it must, at the time of making the offer, have reasonable grounds to believe that the number of Shares that have been, or may be, issued in any of the circumstances covered by the following paragraphs will not exceed 5% of the total number of Shares:
 - (1) Shares that may be issued under the offer or any other offer to be made under the Plan (to the extent offered in reliance on ASIC Class Order [CO 14/1000]);
 - (2) Shares issued or that may be issued as a result of offers made at any time during the previous three year period under:
 - (3) the Plan or any other Employee Incentive Scheme in reliance on ASIC Class Order [CO 14/1000] or its predecessors; or
 - (4) an ASIC exempt arrangement of a similar kind to an Employee Incentive Scheme.
 - (p) Offers of Rights made or Shares issued other than in reliance on ASIC Class Order [CO 14/1000] or its predecessors (such as offers received outside of Australia or under an exception in section 708 of the Corporations Act) will not be included in calculating the 5% limit.
 - (q) Rights carry no right to a dividend and no right to a vote.
 - (r) A Participant may only participate in new issues of securities to shareholders if the Right has vested and Shares have been registered in the name of the Participant before the record date for determining entitlements to the issue. If required by the Listing Rules, the Company must give notice to Participants of any new issue before the record date for determining entitlements to the issue.
 - (s) In the event of any reorganisation of the capital of the Company, the rights of a Performance Right holder will be changed to the extent necessary to comply with the Listing Rules applying to such reorganisation at the time of the reorganisation.
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Annexure D – Proxy Form Instructions

INSTRUCTIONS FOR APPOINTMENT OF PROXY

1. A shareholder entitled to attend and vote is entitled to appoint no more than two proxies to attend and vote at this Annual General Meeting as the shareholder's proxy. A proxy need not be a shareholder of the Company.
2. Where more than one proxy is appointed, each proxy may be appointed to represent a specific proportion of the shareholder's voting rights. If such appointment is not made then each proxy may exercise half of the shareholder's voting rights. Fractions shall be disregarded.
3. The proxy form must be signed personally by the shareholder or his attorney, duly authorised in writing. If a proxy is given by a corporation, the proxy must be executed under either the common seal of the corporation or under the hand of an officer of the Company or its duly authorised attorney. In the case of joint shareholders, this proxy must be signed by at least one of the joint shareholders, personally or by a duly authorised attorney.
4. If a proxy is executed by an attorney of a shareholder, then the original of the relevant power of attorney or a certified copy of the relevant power of attorney, if it has not already been noted by the Company, must accompany the proxy form.
5. To be effective, forms to appoint proxies must be received by the Company no later than 48 hours before the time appointed for the holding of this Meeting, **that is by 9 a.m WST on 20 November 2018** by post, facsimile or hand delivery to the respective addresses stipulated in the proxy form.
6. If a person present at a general meeting represents personally or by proxy, attorney or representative more than one member, on a show of hands the person is entitled to one vote only even though he or she represents more than one member.
7. A joint holder may vote at a meeting either personally or by proxy, attorney or representative as if that person was the sole holder. If more than one joint holder tenders a vote in respect of the relevant shares, the vote of the holder named first in the register who tenders a vote, whether in person or by proxy, attorney or representative, must be accepted to the exclusion of the votes of the other joint holders.
8. Unless the proxy form provides differently, the proxy has the same rights to speak, demand a poll, join in demanding a poll or act generally at the meeting as the member would have had if the member was present.
9. Unless otherwise provided in the proxy form, an appointment will be taken to confer authority:
 - (a) even though the instrument may refer to specific resolutions and may direct the proxy, attorney or representative how to vote on those resolutions, to do any of the following acts:
 1. to vote on any amendment moved to the proposed resolutions and on any motion that the proposed resolutions not be put or any similar motion;
 2. to vote on any procedural motion, including any motion to elect the chairperson, to vacate the chair or to adjourn the meeting; and
 3. to act generally at the meeting; and
 - (b) even though the instrument may refer to a specific meeting to be held at a specified time or venue where the meeting is rescheduled or adjourned to another time or changed to another venue, to attend and vote at the re-scheduled or adjourned meeting or at the new venue.





ARAFURA
RESOURCES LIMITED

ABN 22 080 933 455

LODGE YOUR VOTE

ONLINE
www.linkmarketservices.com.au

BY MAIL
Arafura Resources Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

BY FAX
+61 2 9287 0309

BY HAND
Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138

ALL ENQUIRIES TO
Telephone: +61 1300 554 474



X99999999999

PROXY FORM

I/We being a member(s) of Arafura Resources Limited and entitled to attend and vote hereby appoint:

APPOINT A PROXY

the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **9:00am (WST) on Thursday, 22 November 2018 at The Governance Institute of Australia Ltd, 8 Victoria Avenue, Perth, Western Australia, 6000 (the Meeting)** and at any postponement or adjournment of the Meeting.

Important for Resolutions 1, 5 & 6: If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolution 1, 5 & 6 even though the Resolutions are connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (**KMP**).

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an

Resolutions

	For	Against	Abstain*		For	Against	Abstain*
1 Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5 Issue of Options to Gavin Lockyer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of Quangsheng Zhang as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6 Issue of Performance Rights to Gavin Lockyer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Re-election of Terry Grose as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
4 Election of Mark Southey as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

ARU PRX1801C



HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **9:00am (WST) on Tuesday, 20 November 2018**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



BY MAIL

Arafura Resources Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138

* During business hours (Monday to Friday, 9:00am–5:00pm)



COMMUNICATIONS PREFERENCE

We encourage you to receive all your shareholder communication via email. This communication method allows us to keep you informed without delay, is environmentally friendly and reduces print and mail costs.



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Communications' and click the first button to receive all communications electronically and enter your email address. To use the online facility, securityholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**