



21 June 2019

Dear Shareholder

**Arafura Resources Limited non-renounceable pro-rata entitlement offer
Information for shareholders**

As you may be aware, Arafura Resources Limited (ASX:ARU) (**Arafura**) will shortly be carrying out a fully underwritten 7 for 20 non-renounceable pro-rata entitlement offer of new fully paid ordinary shares in Arafura (**New Shares**) at an offer price of \$0.085 per New Share (**Offer Price**) to raise \$23.2 million (before costs) (**Entitlement Offer**).

The Entitlement Offer is being made in accordance with section 708AA of the *Corporations Act 2001* (Cth) (as modified by Australian Securities and Investments Commission (**ASIC**) Corporations (Non-Traditional Rights Issues) Instrument 2016/84), meaning that no prospectus needs to be prepared in relation to the Entitlement Offer. Rather, the Entitlement Offer will be made pursuant to an offer document (**Offer Booklet**) and if you are eligible and wish to participate in the Entitlement Offer, you will need to complete the Entitlement and Acceptance Form that will accompany the Offer Booklet.

The Offer Booklet is expected to be despatched on 28 June 2019 to shareholders with a registered address in Australia or New Zealand who hold fully paid ordinary shares in Arafura (**Existing Shares**) as at the record date being 7.00pm AEST on 25 June 2019 (**Record Date**). A copy of the Offer Booklet will be lodged with the Australian Securities Exchange (**ASX**) on the date of despatch and will be available on the ASX website (www.asx.com.au).

Pursuant to the listing rules of ASX (**Listing Rules**), Arafura is required to provide you with certain information before proceeding with the Entitlement Offer. This letter contains all of the information required by Appendix 3B of the Listing Rules.

1. New Shares issued pursuant to the Entitlement Offer will be fully paid ordinary shares in the capital of Arafura.
2. A maximum of 273,491,090 New Shares will be issued pursuant to the Entitlement Offer (ignoring the effect of rounding of entitlements and based on the number of Existing Shares on issue as at the Record Date, being 781,403,114 Existing Shares).
3. New Shares issued pursuant to the Entitlement Offer will rank equally in all respects from the date of issue with existing fully paid ordinary shares in Arafura.
4. The issue price of New Shares issued pursuant to the Entitlement Offer will be \$0.085 per New Share.
5. Arafura will apply for quotation of the New Shares issued pursuant to the Entitlement Offer on the official list of the ASX.
6. The purpose of the Entitlement Offer is to raise funds which the Company intends to use:
 - a. to progress further development of the Nolans NdPr Project including Project execution readiness to allow award of key design and project management contracts, commencement of front end engineering design work, completion of early contractor involvement phase and the delivery and tender of long lead procurement items and early works construction contracts;
 - b. for an exploration and metallurgical program aimed at potentially increasing the Nolans Project mine life; and
 - c. for ongoing working capital.

Please refer to slide 9 of Arafura's investor presentation for the Entitlement Offer that was announced to ASX on 20 June 2019 for a breakdown of the amount intended to be allocated to each of the above items.

7. New Shares issued pursuant to the Entitlement Offer will be issued on 19 July 2019.
8. The total number and class of all securities quoted on ASX (including the maximum number of New Shares to be issued under the Entitlement Offer, assuming no Arafura options or performance rights are exercised before the Record Date and ignoring the effect of rounding) is as follows:

Class	Number
Existing Shares	781,403,114
Entitlement Offer	273,491,090
TOTAL	1,054,894,204

9. The following are the securities of Arafura not quoted on ASX:

Class	Number
Options exercisable at \$0.15 each on or before 30 June 2021	1,635,000
Options exercisable at \$0.12 each on or before 1 July 2022	19,075,000
Performance rights expiring on 21 September 2022	7,000,000
Performance rights expiring on 22 November 2022	3,000,000

10. All New Shares issued pursuant to the Entitlement Offer will have the same dividend entitlements as existing fully paid ordinary shares in Arafura.
11. No shareholder approval for the Entitlement Offer is required. The New Shares will be issued pursuant to an exception in ASX Listing Rule 7.2 for pro rata offers.
12. The Entitlement Offer is non-renounceable. This means that Arafura shareholders who do not take up their entitlements to participate in the Entitlement Offer will not be able to transfer or receive any value for those entitlements and their equity interest in Arafura will be diluted.
13. The New Shares in the Entitlement Offer will be offered on the basis of 7 New Shares for every 20 Existing Shares held by the Arafura shareholder at 7.00pm AEST on 25 June 2019.
14. The offer under the Entitlement Offer relates to New Shares.
15. The Record Date to determine entitlements is 7.00pm AEST on 25 June 2019.
16. Holdings on different registers (or subregisters) will not be aggregated for calculating entitlements.
17. Where fractions arise in the calculation of entitlements, the number of New Shares will be rounded up to the nearest whole number of New Shares.
18. Only Arafura shareholders with registered address in Australia or New Zealand will be eligible to participate in the Entitlement Offer. In compliance with ASX Listing Rule 7.7, Arafura has decided that it is unreasonable to make the Entitlement Offer to shareholders with a registered address outside Australia or New Zealand having regard to each of the following:
 - a. the small number of shareholders with addresses outside of Australia and New Zealand;
 - b. the number and value of the shares that would have been offered to shareholders outside of Australia and New Zealand; and
 - c. the cost of complying with the legal requirements, and requirements of regulatory authorities in the overseas jurisdictions.
19. The closing date for receipt of acceptances is 5.00pm AEST on 12 July 2019.

20. The Entitlement Offer is fully underwritten by Patersons Securities Limited (**Patersons**) and Talaxis Limited has agreed to sub-underwrite \$7.2 million of the Entitlement Offer. Patersons will also act as lead manager to the Entitlement Offer. Arafura will pay Patersons a selling/underwriting fee of 5% of the gross amount raised from the Entitlement Offer. Patersons will also be paid a fee of \$150,000 for its services in managing the issue and for providing corporate and strategic advice to Arafura during the Entitlement Offer process. All sub-underwriting fees will be payable by Patersons.
21. No prospectus will be issued, but an Offer Booklet and Entitlement and Acceptance Form will be despatched to eligible shareholders by no later than 28 June 2019.
22. Existing option holders may participate in the Entitlement Offer upon exercise of their options (if they are entitled to exercise their options at this time) and any performance rights holders may only participate if their rights vest (and shares are subsequently issued) before the Record Date. Arafura sent a notice to option holders on 20 June 2019 to notify option holders of their right to participate in the Entitlement Offer upon exercise of their options.
23. It is anticipated that New Shares issued under the Entitlement Offer will commence trading on a normal (T+2) settlement basis on 22 July 2019.

The above information was provided to the ASX on 20 June 2019.

Key dates

Event	Date
Announcement of the Entitlement Offer	20 June 2019
Shares recommence trading on ASX on an “ ex-entitlement ” basis	24 June 2019
Record Date for the Entitlement Offer	7.00pm (AEST) 25 June 2019
Entitlement Offer opens	28 June 2019
Offer Booklet despatched	28 June 2019
Entitlement Offer closes	5.00 pm (AEST) 12 July 2019
Issue of New Shares under the Entitlement Offer	19 July 2019
New Shares issued under the Entitlement Offer commence trading on ASX on a normal basis	22 July 2019

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.

Investor Enquiries

For further information in regard to the Entitlement Offer, please contact the Arafura Shareholder Information Line on 1300 730 659 (within Australia) or +61 1300 730 659 (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.

Signed for and on behalf of Arafura

A handwritten signature in blue ink, appearing to read 'M. Southey', with a large, sweeping flourish at the end.

Mark Southey
Chairman

This document 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 document 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 and applicable US state securities laws.