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Arafura Rare Earths Limited

ABN 22 080 933 455

2023

NOTICE OF ANNUAL GENERAL MEETING

AND

EXPLANATORY MEMORANDUM TO SHAREHOLDERS

DATE OF MEETING
19 October 2023

TIME OF MEETING
10.00am WST

PLACE OF MEETING
BDO Australia
Level 9, Mia Yellagonga
Tower 2, 5 Spring Street,
Perth WA 6000

A PROXY FORM IS ATTACHED

Please read the Notice and Explanatory Memorandum carefully.

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

Arafura Rare Earths Limited

ABN 22 080 933 455

Notice of Annual General Meeting

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Notice is given that the 2023 Annual General Meeting of the Company will be held at the offices of **BDO Australia, Level 9, Mia Yellagonga Tower 2, 5 Spring Street, Perth, WA 6000,** on 19 October 2023 at 10.00am WST.

Agenda

Ordinary Business

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

Annual Report

To receive and consider the consolidated financial statements of the Company and its controlled entities and the reports of the Directors and auditors for the financial year ended 30 June 2023.

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 2023 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 details of whose remuneration 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 Resolution 1; or

(b) the voter is the Chairperson of the meeting and the appointment of the Chairperson as proxy:

(1) does not specify the way the proxy is to vote on Resolution 1; and

(2) expressly authorises the Chairperson to exercise the proxy even if Resolution 1 is connected directly or indirectly with the remuneration of a member of the key management personnel.

Resolution 2 – Re-election of Mr Mark Southey as Director

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

> *"That Mr Mark Southey, a Director of the Company who retires in accordance with rule 7.1(e) of the Company's Constitution, be re-elected as a Director of the Company with effect from the close of the Meeting."*

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Resolution 3 – Re-election of Mr Chris Tonkin as Director

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

> *"That Mr Chris Tonkin, a Director of the Company who retires in accordance with rule 7.1(e) of the Company's Constitution, be re-elected as a Director of the Company with effect from the close of the Meeting."*

Resolution 4 - Re-election of Ms Cathy Moises as Director

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

> *"That Ms Cathy Moises, a Director of the Company who retires in accordance with rule 7.1(e) of the Company's Constitution, be re-elected as a Director of the Company with effect from the close of the Meeting."*

Resolution 5 – Approval to issue securities under Incentive Plan

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

"That, for the purposes of Exception 13(b) in Listing Rule 7.2 and for all other purposes, approval is given for the future issue of securities under the Incentive Plan (a summary of which is set out in Annexure B) within the next three years, on the terms and conditions set out in the Explanatory Memorandum".

Voting Exclusion Statement

The Company will disregard any votes cast in favour of this Resolution by or on behalf of any person who is eligible to participate in the Incentive Plan or any associates (as defined in the Listing Rules) of those persons.

However the Company need not disregard a vote cast in favour of this Resolution by:

(a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or

(b) the Chairperson of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chairperson to vote on the Resolution as the Chairperson decides; or

(c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

(i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and

(ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Other business

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

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Explanatory Memorandum

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

Capitalised terms which are not otherwise defined in this Notice of Annual General 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 **4.00pm WST on 17 October 2023**. Accordingly, Share transfers registered after that time will be disregarded in determining entitlements to vote at the Meeting.

Holders of Options or other convertible securities issued by the Company who are not Shareholders but who wish to vote as Shareholders at the Meeting are required to lodge valid exercise notices with the Company no later than 1 week before the Meeting to allow sufficient time for the Shares to be issued by the Company.

Chairperson and Chairperson's voting intentions for undirected proxies

It is proposed that the Meeting be chaired by Mr Mark Southey, the Chairperson of the Board of Directors of the Company. It is the Chairperson's intention to vote undirected proxies which he holds as proxy in favour of all Resolutions where possible. In exceptional circumstances, the Chairperson may change his voting intention on any Resolution, in which case an ASX announcement will be made.

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 **10.00am WST on 19 October 2023.**

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:

- 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.

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A Shareholder that is entitled to cast two or more votes may appoint two 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.

The Proxy Form also provides further details on appointing proxies and lodging Proxy Forms.

Proxy voting online

Shareholders may submit a proxy vote online at www.linkmarketservices.com.au. To vote online, select 'Investor Login' and enter Arafura Rare Earths 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, complete the security process 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 10.00am WST on 17 October 2023.

Proxy voting by mobile

Shareholders may submit a proxy vote by mobile by scanning the QR code on their Proxy Form and following the prompts. You will be taken to have signed and returned your Proxy Form if you vote by mobile in accordance with the instructions given. If you choose to vote by mobile, you must vote by no later than 10.00am WST on 17 October 2023.

Lodgement of Proxy Forms

To be effective, completed Proxy Forms must be returned by:

- mail to Arafura Rare Earths Limited, C/- Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235 Australia;
- facsimile to +61 2 9287 0309; or
- hand to Link Market Services Limited, Parramatta Square, Level 22, Tower 6, 10 Darcy Street, Parramatta NSW 2150, Australia,

so that they are received no later than 10.00am WST on 17 October 2023.

Proxy Forms or proxy voting instructions received after this time will be invalid.

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 also be received by the Company by the above deadline.

Voting by corporate representative

To appoint a corporate representative, download and fill out the 'Appointment of Corporate Representation' form from Link Market Services Limited's website – www.linkmarketservices.com.au. Hover over 'Resources' and click on 'Forms' and then select 'Holding Management'.

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 or 5, 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 Chairperson and the appointment expressly authorises the Chairperson to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of key management personnel.

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If the Chairperson is appointed as your proxy and you have not specified the way the Chairperson is to vote on Resolutions 1 or 5 by signing and returning the proxy form (including via an online voting facility), you are considered to have provided the Chairperson with an express authorisation for the Chairperson to vote the proxy in accordance with the Chairperson'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 (**BDO**), 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 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 2022. Relevant written questions for BDO 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 arafura@arultd.com, no later than the fifth business day before the date of the Meeting.

A list of the relevant written questions 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 4 September 2023



Catherine Huynh
Company Secretary

Arafura Rare Earths Limited

ABN 22 080 933 455

Explanatory Memorandum

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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 Annual General Meeting. Please refer to **Annexure A** for definitions of capitalised terms in the Notice of Annual General Meeting and Explanatory Memorandum.

Business

Annual Report

The Corporations Act requires the following reports in respect of the year ended 30 June 2023 to be laid before the Meeting:

(a) the annual financial report, including the Company's financial statements; and

(b) the reports of the Directors and auditors.

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

Each of these reports are contained in the Company's 2023 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 ended 30 June 2023 is set out in the Directors' Report on pages 39 to 51 of the Company's Annual Report 2023 which was released to the market on 16 August 2023.

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

Shareholders attending the Meeting 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 or the Company. However, whilst the Resolution itself does not bind the Directors or the Company, if at least 25% of the votes cast on Resolution 1 are against the Resolution in two consecutive years, starting at this 2023 Annual General Meeting, Shareholders will be required to vote at the second of those Annual General Meetings 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) 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 Mr Mark Southey as Director

Mr Mark Southey was initially appointed by the Directors on 30 January 2018, and was appointed as the Chairman of the Company on 14 February 2019. Mr Southey was re-elected as a Director at the Company's 2020 Annual General Meeting.

Mr Southey now retires in accordance with rule 7.1(e) of the Company's Constitution, which stipulates that no Director who is not the Managing Director may hold office without re-election beyond the third annual general meeting following the Director's appointment or last election. Being eligible, Mr Southey offers himself for re-election.

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.

Mr Southey has previously held senior executive positions with Honeywell and ABB both in Australia and internationally, and was a member of the global executive leadership team within Worley, 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. Mr Southey is also a non-executive director of Fleetwood Corporation (ASX: FWD) and an advisory board member for Gas Cleaning Technologies LL (Dallas).

Mr Southey holds a Bachelor of Science (Hons) in Engineering with Business Studies, has an MBA from the University of Sydney Business School, is a Graduate of the Australian Institute of Company Directors and a member of Engineers Australia (MIEAust).

As at the date of this Notice, Mr Southey has been a Director of the Company for approximately 5 years and 9 months, and has been the Chairman of the Company for approximately 4 years and 8 months. Mr Southey is also Chairman of the Remuneration and Nomination Committee and a member of the Risk Management Committee and Sustainability Committee.

The Board (excluding Mr Southey) considers that Mr Southey's independence has not been impaired during his tenure as a Director and that he is therefore considered to be an independent Director.

After appropriate consideration, and taking into account his past performance, contributions to the Company and the current and future needs of the Board and the Company, the Board's members (excluding Mr Southey) unanimously resolved that Mr Southey's distinct set of skills and experience, including his knowledge in the industrial and natural resources sectors and experience with public company board and institutional investor engagement, is of obvious and ongoing benefit to the Board.

Board recommendation

The Board (other than Mr Southey) recommends that Shareholders vote in favour of Resolution 2.

3 Re-election of Mr Chris Tonkin as Director

Mr Chris Tonkin was initially appointed by the Directors on 1 January 2011, and was last re-elected at the Company's 2020 Annual General Meeting.

Mr Tonkin now retires in accordance with rule 7.1(e) of the Company's Constitution, which stipulates that no Director who is not the Managing Director may hold office without re-election beyond the third annual

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general meeting following the Director's appointment or last election. Being eligible, Mr Tonkin offers himself for re-election.

Mr Tonkin has over 40 years' experience as a senior business executive with a multiple industry background in resources, telecommunications and banking and finance covering project finance, business generation, management, technical and strategy development roles. Mr Tonkin began his career as a metallurgist and environmental specialist, diversifying into commercial roles at several major industrial companies and subsequently into project finance, corporate and project advisory roles at AIDC, The Chase Manhattan Bank, KPMG Corporate Finance and ANZ, where he was instrumental in the successful financing of many resources, telecommunications and infrastructure projects within Australia and globally. Mr Tonkin was Head of Natural Resources Project Finance at ANZ for a number of years, leading a highly successful team of project financiers.

Mr Tonkin is a Graduate of the Australian Institute of Company Directors and a Member of the Finance and Treasury Association.

As at the date of this Notice, Mr Tonkin has been a Director of the Company for approximately 12 years and 9 months. Mr Tonkin is also Chairman of the Audit Committee and a member of the Remuneration and Nomination Committee and Risk Management Committee.

The Board (excluding Mr Tonkin) considers that Mr Tonkin's independence has not been impaired during his tenure as a Director and that he is therefore considered to be an independent Director.

After appropriate consideration, and taking into account his past performance, contributions to the Company and the current and future needs of the Board and the Company, the Board's members (excluding Mr. Tonkin) unanimously resolved that Mr Tonkin's distinct set of skills and experience, including his knowledge in resources, telecommunications and banking and finance, and his experience in project finance, is of obvious and ongoing benefit to the Board.

Board recommendation

The Board (other than Mr Tonkin) recommends that Shareholders vote in favour of Resolution 3.

4 Re-election of Ms Cathy Moises as Director

Ms. Cathy Moises was initially appointed by the Directors on 1 December 2019 and was re-elected as a Director at the Company's 2020 Annual General Meeting.

Ms Moises now retires in accordance with rule 7.1(e) of the Company's Constitution, which stipulates that no Director who is not the Managing Director may hold office without re-election beyond the third annual general meeting following the Director's appointment or last election. Being eligible, Ms Moises offers herself for re-election.

Ms Moises holds a Bachelor of Science with Honours in Geology from the University of Melbourne and a Diploma of Finance and Investment from the Securities Institute of Australia. She has extensive experience in the resources sector having worked as a senior resources analyst for several major stockbroking firms including McIntosh (now Merrill Lynch), County Securities (now Citigroup) and Evans and Partners where she was a partner of that firm. In 2017-2019, Ms Moises was Head of Research at Patersons Securities Limited.

Ms Moises brings substantial experience to Arafura in company management, capital markets and institutional investor engagement. Her key areas of industry experience include gold, base metals, mineral sands and the rare earths sector. Ms Moises is a non-executive director of WA Kaolin Limited and Australian Potash Limited and is an advisory panel member for Argonaut Resources Fund.

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As at the date of this Notice, Ms Moises has been a Director of the Company for approximately 3 years and 10 months. Ms Moises is Chairman of the Sustainability Committee and a member of the Remuneration and Nomination Committee and the Audit Committee.

The Board (excluding Ms Moises) considers that Ms Moises' independence has not been impaired during her tenure as a Director and that she is therefore considered to be an independent Director.

After appropriate consideration, and taking into account her past performance, contributions to the Company and the current and future needs of the Board and the Company, the Board's members (excluding Ms Moises) unanimously resolved that Ms Moises' distinct set of skills and experience, including in company management, capital markets and institutional investor engagement, and her extensive experience in the resources sector, is of obvious and on-going benefit to the Board.

Board recommendation

The Board (other than Ms Moises) recommends that Shareholders vote in favour of Resolution 4.

5 Resolution 5 – Approval to issue securities under Incentive Plan

General

Resolution 5 is an ordinary resolution that seeks Shareholder approval for issues of securities under the Incentive Plan for the purposes of the Listing Rules. The Incentive Plan is a new plan adopted by the Board following the introduction of Division 1A in Part 7.12 of the Corporations Act in relation to employee share schemes, and replaces the Company's previous Employee Incentive Plans (being the Performance Rights Plan and the Employee Share Option Plan).

The main purposes of the Incentive Plan are to incentivise Eligible Executives to provide (and reward them for providing) dedicated and ongoing commitment and effort to the Company, and to align the interests of Eligible Executives and Shareholders in order to increase Shareholder value by enabling Eligible Executives to share in the future growth and profitability of the Company. The Board considers that the ability to issue incentive rights and/or options as incentives to Eligible Executives provides a necessary mechanism to attract, retain and motivate personnel to achieve the Company's goals.

Summary of Incentive Plan

The Incentive Plan contemplates the issue to Participants of Rights and/or Options which carry the entitlement to be issued Shares on satisfaction of performance conditions and/or on payment of an exercise price as determined by the Board.

Purpose of approvals sought

Broadly speaking, and subject to a number of exceptions, ASX Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

Exception 13 of Listing Rule 7.2 excludes securities (including options and rights) issued under an employee incentive scheme from counting towards that 15% placement capacity where shareholders have approved the issue of the securities under such an incentive scheme. Such approval is valid for three years from the date of shareholder approval.

Resolution 5 seeks to obtain Shareholder approval for the issue of securities to Eligible Executives (or their Nominees) under the terms of the Incentive Plan for the next three years so that the Company retains the ability to manage its capital requirements efficiently by ensuring that the 15% limit is not reduced by issues of securities under the Incentive Plan. The Board believes this will provide the Company with additional flexibility to raise capital as and when appropriate.

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If Shareholder approval for the issue of securities under the terms of the Incentive Plan is not obtained, any issues of securities under the Incentive Plan would reduce the Company's 15% placement capacity under Listing Rule 7.1.

It is important to note that Resolution 5 does not of itself authorise the issue of securities to Directors. Any such issues need to be specifically approved under Listing Rule 10.14.

If approval is obtained under Resolution 5, that approval will cease to be available if there is a material change to the terms of the Incentive Plan from those set out in this Notice.

Information required by ASX Listing Rule 7.2, Exception 13(b)

The following information is provided in accordance with Listing Rule 7.2, Exception 13(b), which sets out the information that must be provided to Shareholders in order to obtain Shareholder approval under Listing Rule 7.2:

(a) A summary of the terms of the Incentive Plan is set out in Annexure B of this Explanatory Memorandum. A full copy of the Incentive Plan is available for inspection at the Company's registered office during normal business hours.

(b) As the Incentive Plan is a new plan, no securities have been issued under the Incentive Plan.

(c) Following approval of Resolution 5, the maximum number of securities proposed to be issued within the next three years under the Incentive Plan is 140,000,000 Options or Rights (in aggregate), representing approximately 6.62% of the undiluted Shares in the Company as at 4 September 2023.

The maximum number stated above is not intended to be a prediction of the actual number of securities to be issued under the Incentive Plan – it is simply a ceiling for the purposes of Listing Rule7.2, Exception 13(b). The total number of securities ultimately issued under the Incentive Plan within the next three years may be less than the maximum number stated above or may be more than the maximum number stated above (in which case the excess will count towards the Company's 15% placement capacity under Listing Rule 7.1).

The actual number of securities that will be issued will be determined by the Board on the basis of (among other things) the number of persons entitled to incentive securities and the forward work plans of the Company. Any issues of securities under the Incentive Plan will be in accordance with the terms of the Incentive Plan and the Listing Rules.

(d) A voting exclusion statement in respect of Resolution 5 is set out in the Notice.

Board recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 5.

Arafura Rare Earths Limited

ABN 22 080 933 455

Annexure A – Definitions

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

Annual General Meeting or **Meeting** means the Company's annual general meeting to be held on 19 October 2023 at 10.00 am WST.

Associated Entity has the meaning given to that term in section 9 of the Corporations Act.

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

Board means the board of Directors of the Company.

Chairperson means the chair of the Meeting.

Company or **Arafura** means Arafura Rare Earths Limited (ABN 22 080 933 455).

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

Director means a Director of the Company.

Eligible Executive means a person that is a "primary participant" (within the meaning of that term as defined in section 1100L of the Corporations Act) in relation to the Group and who has been determined by the Board to be eligible to participate in the Incentive Plan from time to time.

Explanatory Memorandum means the explanatory memorandum to the Notice.

Group means the Company and its Associated Entities.

Incentive Plan or **Plan** means the Arafura Incentive Plan Rules.

Listing Rules means the Listing Rules of ASX.

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

(a) a spouse, parent, child or sibling of the Eligible Executive;

(b) another body corporate controlled by the Eligible Executive or a person mentioned in paragraph (a);

(c) a body corporate that is the 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 body corporate; or

(d) a person prescribed in relation to the Eligible Executive by the *Corporations Regulations 2001* (Cth) for the purposes of section 1100L(1)(b)(iv) of the Corporations Act.

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

Offer means an offer made under the Incentive Plan.

Option means an unlisted option to acquire a Share.

Participant means an Eligible Executive who is deemed to have an accepted an Offer and to whom an incentive security is (or is to be) issued under the Incentive Plan, or its Nominee (as the context requires).

Performance Condition means one or more conditions based on performance or other criteria which must be satisfied or circumstances which must exist before a Right or Option vests and which is set out in the Offer.

Proxy Form means the proxy form attached to the Notice.

Remuneration Report means the report commencing on page 39 of the Company's 2023 Annual Report which was released to the market on 17 August 2023.

Resolution means a resolution contained in the Notice.

Right means an entitlement to be issued a Share that vests based on satisfaction of a Performance Condition

Annexure A – Definitions

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

Shareholder means a shareholder of the Company.

WST means Western Australian Standard Time.

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

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Annexure B – Summary of Incentive Plan

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1 Key Terms

The key terms of the Rules are as follows:

(a) The Board may offer Incentive Securities to Eligible Executives in the form of an "Offer Document", having regard to (among other things) the Eligible Executive's seniority and position in the Group, length of service, contribution to the Group and any other matters which the Board considers relevant.

(b) Each Offer will be contained in an Offer Document which must specify (among other things) the vesting conditions or Performance Conditions and that the Offer is made under Division 1A of Part 7.12 of the Corporations Act.

(c) No amount is payable on the issue of Incentive Securities.

(d) Upon receipt of an Offer, an Eligible Executive may nominate a Nominee in whose favour the Eligible Executive wishes to renounce the Offer. The Board may, in its absolute discretion, resolve not to allow a renunciation without giving any reason for that decision.

(e) Incentive Securities may not be transferred unless by force of law upon death to the Participant's legal personal representative or upon bankruptcy to the Participant's trustee in bankruptcy.

(f) Each Right which vests will entitle a Participant to be issued one Share.

(g) Unless the Offer specifies that Rights will be automatically exercised when the Rights vest, a Right is exercisable by the Participant lodging with the Company Secretary a properly completed notice of exercise, together with the relevant certificate.

(h) The Board may in its absolute discretion increase or decrease the level of vesting, or vest some or all of a grant, of an Incentive Security prior to the end of the Measurement Period, if in the circumstances it considers it appropriate to do so.

(i) Each Option entitles a Participant to be issued one Share at the Exercise Price. Unvested Options will vest when any Performance Conditions prescribed in the relevant Offer have been satisfied, in which case, subject to the Rules (and payment of any Exercise Price), a Participant will be issued one Share.

(j) An Option is exercisable by the Participant lodging with the Company Secretary a properly completed notice of exercise, together with the relevant certificate and payment of the full amount of the Exercise Price. Options may also be exercised pursuant to a "cashless exercise" method in accordance with the exercise formula set out in the Plan.

(k) The Company will make an application to ASX for official quotation of Shares issued on the exercise of Incentive Securities, if other Shares of the Company are listed at that time. The Company may, in its discretion, defer applying for official quotation of any Shares until such time as any restrictions on trading of those Shares under the Plan cease to apply (to the extent permitted under the Listing Rules).

(l) Incentive Securities:

(i) will not be quoted on ASX;

(ii) carry no right to a dividend and no right to vote;

(iii) do not confer any right to a return of capital, whether in a winding up, upon a reduction of capital or otherwise;

(iv) do not confer any right to participate in the surplus profit or assets of the Company upon a winding up; and

(v) do not confer any right to participate in new issues of securities such as bonus issues or entitlement issues,

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unless and until the Incentive Security converts into a Share.

(m) A Participant may only participate in new issues of securities if the Incentive Security has been exercised and Shares have been issued before the record date for determining entitlements to the issue.

(n) In the event of any reorganisation of the capital of the Company, the rights of a holder of Incentive Securities will be changed to the extent necessary to comply with the Listing Rules applying to such reorganisation at the time of the reorganisation.

(o) Prior to the issue of Shares to a Participant upon exercise of Incentive Securities, the Board may make any adjustments it considers appropriate to the terms of an Incentive Security granted to that Participant in order to minimise or eliminate any material advantage or disadvantage to a Participant resulting from a corporate action such as a capital raising.

(p) If Shares are issued pro rata to the Company's shareholders generally by way of bonus issue or rights issue, the number of Incentive Securities, or the number of Shares to which each Participant is entitled upon exercising of Incentive Securities, or any amount payable on exercise of Incentive Securities, will be adjusted in the manner determined by the Board, having regard to the Listing Rules and the general principles set out in the Rules.

(q) The Board may determine (at any time) that some or all Incentive Securities will vest or will become exercisable immediately if:

(i) 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;

(ii) 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

(iii) 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.

(r) An Incentive Security not exercised will lapse on the first to occur of:

(i) an unauthorised dealing in, or hedging of, the Incentive Security;

(ii) a Performance Condition in relation to the Incentive Security not being satisfied by the due date, or becoming incapable of satisfaction, as determined by the Board in its absolute discretion, unless the Board otherwise exercises its discretion under the Plan;

(iii) the expiry date of the Incentive Security as set out in the Offer Document;

(iv) the expiry of 30 days, or any longer period which the Board determines, after the Relevant Person ceases to be employed or engaged by any member of the Group for any reason; and

(v) a determination of the Board that the Participant or Relevant Person has acted fraudulently, dishonestly or in breach of the Participant's or Relevant Person's obligations to the Company or any member of the Group and that the Incentive Right is to be forfeited.

(s) The Board may, in its absolute discretion, before an Incentive Security expires, determine that an Incentive Security will not lapse if the Relevant Person has ceased to be employed or engaged by any member of the Group as a result of:

(i) Total and Permanent Disablement, ill health, death, economic necessity or any other factor not attributable to the conduct or performance of that person; or

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(ii) Retirement under circumstances that are not related to the conduct or performance of that person,

in which case the Incentive Security 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 Incentive Security otherwise lapses in accordance with the Rules.

(t) If, when making an Offer of Options under the Plan, the Company does so under section 1100Q of the Corporations Act, it must, at the time of making the Offer, comply with the issue cap contained in section 1100V of the Corporations Act. This does not apply to the issue of Rights under the Plan.

(u) Shares issued on the exercise of Incentive Securities will rank equally with all existing Shares on issue.

(v) Subject to the Plan, the Listing Rules and all applicable laws, the Board may amend all or any of the rules of the Plan. The decision of the Board as to the interpretation of the Rules will be final and conclusive.

2 Definitions

In this Schedule, capitalised terms not otherwise defined in Annexure A have the meaning indicated below:

Board means all or some of the Directors acting as a board or, where applicable, any relevant committee or subcommittee of Directors.

Company Secretary means the person (or persons) holding the office of company secretary of the Company from time to time.

Exercise Price means the exercise price for an Option, which is set out in the Offer Document (and which may be zero).

Incentive Security means a Right or an Option.

Measurement Period means a period for satisfaction of a Performance Condition, as specified in the Offer, which shall be determined by the Board in its absolute discretion.

Offer Document means a document that contains the Offer.

Option means an option granted pursuant to the Rules to acquire one Share upon and subject to the terms of the Rules and the terms of the relevant Offer, which may include Performance Conditions.

Relevant Person means:

(a) in respect of an Eligible Executive, that person; and

(b) in respect of a Nominee of an Eligible Executive, that Eligible Executive.

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

Rules means the rules of the Plan.

Total and Permanent Disablement in relation to a Relevant Person means that the Relevant Person 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 Relevant Person unlikely ever to engage in any occupation for which he or she is reasonably qualified by education, training or experience.

ARAFURA
RARE EARTHS LIMITED

ABN 22 080 933 455

LODGE YOUR VOTE

ONLINE
https://investorcentre.linkgroup.com

BY MAIL
Arafura Rare Earths 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
Parramatta Square, Level 22, Tower 6,
10 Darcy Street, Parramatta NSW 2150

ALL ENQUIRIES TO
Telephone: 1300 554 474 Overseas: +61 1300 554 474

X99999999999

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SAMPLE

PROXY FORM

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

STEP 1 APPOINT A PROXY

☐ **the Chairperson of the Meeting (mark box)**

OR if you are **NOT** appointing the Chairperson 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 Chairperson 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 **10:00am (WST) on Thursday, 19 October 2023 at BDO Australia Level 9, Mia Yellagonga Tower 2, 5 Spring Street, Perth WA 6000** (the **Meeting**) and at any postponement or adjournment of the Meeting.

Important for Resolutions 1 & 5: If the Chairperson 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 Chairperson of the Meeting to exercise the proxy in respect of Resolutions 1 & 5, even though the Resolutions are connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (**KMP**).

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

STEP 2 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*
1 Remuneration Report	☐	☐	☐
2 Re-election of Mr Mark Southey as Director	☐	☐	☐
3 Re-election of Mr Chris Tonkin as Director	☐	☐	☐
4 Re-election of Ms Cathy Moises as Director	☐	☐	☐
5 Approval to issue securities under Incentive Plan	☐	☐	☐

* 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.

STEP 3 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).

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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 Chairperson of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairperson 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 CHAIRPERSON OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairperson of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairperson 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 participate in 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 participate in the Meeting the appropriate "Certificate of Appointment of Corporate Representative" must 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 **10:00am (WST) on Tuesday, 17 October 2023,** 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:

ONLINE

https://investorcentre.linkgroup.com

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).

BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link **https://investorcentre.linkgroup.com** into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

QR Code

To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.

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

Deliver it to Link Market Services Limited*
Parramatta Square
Level 22, Tower 6
10 Darcy Street
Parramatta NSW 2150

*during business hours Monday to Friday (9:00am - 5:00pm) and subject to public health orders and restrictions

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 PARTICIPATE IN AND VOTE AT THE ANNUAL GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU. THIS WILL ASSIST IN REGISTERING YOUR PARTICIPATE INANCE.

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