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ASX ANNOUNCEMENT

ARAFURA LAUNCHES A$20 MILLION INSTITUTIONAL PLACEMENT AND A$10 MILLION SPP

13 December 2023

- **Arafura launches fully underwritten placement to raise approximately A$20 million from sophisticated and institutional investors.**
- **Share Purchase Plan launched, targeting to raise an additional A$10 million.**
- **Funds raised will be utilised toward continued development of the Nolans Project and for general working capital purposes, while targeting contractual close for project finance.**

Arafura Rare Earths Limited (**ASX: ARU**) (**"Arafura"** or the **"Company"**) is pleased to announce that it has today commenced a capital raising process to raise up to A$30 million (before costs) (**"Capital Raising"**) towards the continued development of the Nolans Project.

The Capital Raising will comprise a fully underwritten placement of new fully paid ordinary shares (**"New Shares"**) to sophisticated and institutional investors to raise approximately A$20 million (**"Placement"**), along with an offer to eligible existing Arafura shareholders to participate in a share purchase plan to raise a further A$10 million (**"SPP"**).

Commenting on the raising, Arafura Managing Director Gavin Lockyer said: *"Arafura has achieved several significant milestones in the development of the Nolans Project in the past 12 months, including the completion of enabling works and early construction activities on site. These activities were critical to ensuring we are positioned as strongly as possible for the next phase of the Project's development.*

"We are close to achieving our goal of securing 85% of our forecast production under binding offtake agreements, and are continuing discussions with a number of parties (including Hyundai and Kia) in relation to strategic equity investments as part of the overall funding solution for Nolans. The recent interest from KEXIM to participate in the debt financing for the Project further highlights its strategic importance to our key trading partners. Several export credit agencies are advanced in their credit processes and working towards formal approvals in the first quarter of 2024.

"As we continue to make pleasing advancements towards our funding solution for the full construction and commissioning of the Nolans Project, the proceeds from this Capital Raising will provide us with additional support to progress development and seek to close out the Company's funding strategy."

ARAFURA'S SUSTAINABILITY GOAL

"Our goal is to be a trusted global leader and supplier of choice for sustainably mined and processed rare earth products, helping our customers deliver clean and efficient technologies. We are committed to delivering positive intergenerational economic, environmental and social benefits to our stakeholders."

Arafura Rare Earths Limited | ABN: 22 080 933 455
Level 6, 432 Murray St, Perth WA 6000
PO Box 5773, St Georges Terrace, Perth WA 6831
T: +61 8 6370 2800 | **W**: www.arultd.com | **E**: arafura@arultd.com

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Sources and uses of funds

Proceeds from the Capital Raising are intended to be used for a range of activities related to development of the Nolans Project, including:

- integrated project management team costs (including KBR); Detailed engineering (including Hatch) and ECI works to advance detailed design and construction planning;
- procurement of certified vendor data for equipment to support detailed engineering;
- site overheads, ESG, technology and business development and exploration;
- corporate costs including office costs, project funding and sales and marketing; and
- retained cash liquidity buffer.

Proceeds will also be used for general working capital purposes (including transaction costs).

The Company's pro forma cash balance following completion of the Placement is expected to support the Company's activities through to June 2024 with sufficient liquidity buffer.

Placement

The Placement is for the issue of New Shares to sophisticated and institutional investors to raise approximately A$20 million at an issue price of A$0.16 per New Share.

The Placement is fully underwritten.

Approximately 125.0 million New Shares will be issued as a result of the Placement.

The issue price of A$0.16 per New Share represents a 20.0% discount to the last traded price of shares on 13 December 2023 of A$0.20.

Under the Placement, the Company will also issue to investors one (1) free-attaching option for every two (2) New Shares subscribed for (**"New Options"**). The offer and issue of the New Options will be made under a prospectus that will be prepared and lodged with ASIC (and released to ASX) in due course. Approximately 62.5 million New Options will be offered under the prospectus and the Company will seek ASX quotation of all New Options issued under the Placement. The New Options will have an exercise price of A$0.225 and an expiry date of 18 months from the date of issue.

The New Shares and New Options to be issued under the Placement will be issued pursuant to the Company's existing placement capacity under ASX Listing Rule 7.1 (and neither issue will require shareholder approval).

A summary of the underwriting agreement entered into in relation to the Placement is contained in the investor presentation that accompanies this announcement.

Share Purchase Plan

In addition to the Placement, the Company is pleased to offer all eligible existing shareholders on the Company's share register at 7.00pm (AEDT) on 12 December 2023 with registered addresses in Australia or New Zealand the opportunity to apply for New Shares in the Company by participating in the SPP.

The Company is targeting to raise A$10 million (before costs) through the SPP and the funds raised under the SPP will be used for the same purposes as described above.

Applications for New Shares under the SPP will be capped at a maximum of A$30,000 per eligible shareholder, across all their holdings.

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The offer price under the SPP is A$0.16 per New Share, which is the same as the issue price for the Placement. The SPP will provide eligible shareholders with the opportunity to increase their holding without paying brokerage or transaction costs.

The terms and conditions of the SPP will be set out in an SPP Offer Booklet which will be released to ASX by way of a separate announcement in due course. Participation in the SPP is optional and the Company reserves the right to scale back any applications under the SPP or to raise a higher amount (subject to the ASX Listing Rules).

Placement and SPP indicative timetable

An indicative timetable for the Capital Raising is set out below:

Timing (AEDT)	Event
7:00pm, Tuesday 12 December 2023	**SPP Record date**
Wednesday, 13 December 2023	Trading halt Capital Raising announcement
Thursday, 14 December 2023	Announce results of Placement bookbuild (trading halt lifted)
Tuesday, 19 December 2023	Placement settlement date
Wednesday, 20 December 2023	Placement Shares and Options issue date and quotation date
Thursday, 21 December 2023	**SPP opening date**
5:00pm, Monday 22 January 2024	**SPP closing date**
By 12:00pm on Thursday 25 January 2024	Announcement of results of SPP Issue of New Shares under SPP
Monday, 29 January 2024	Quotation of New Shares issued under SPP
Tuesday, 30 January 2024	Commencement of trading of New Shares issued under SPP

Subject to change. The Company reserves the right to withdraw the SPP at its election or to vary these dates at any time.

All New Shares to be issued under the Placement and SPP will rank equally with the Company's existing quoted shares on issue.

Full details regarding the results of the bookbuild in relation to the Placement will be released to ASX when the trading halt is lifted.

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Summary Information

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

Forward Looking Statements

This announcement includes forward-looking statements. These statements relate to the Company's expectations, beliefs, intentions or strategies regarding the future. These statements can be identified by the use of words like "will", "progress", "anticipate", "intend", "expect", "may", "seek", "towards", "enable" and similar words or expressions containing same.

The forward-looking statements reflect the Company's views and assumptions with respect to future events as of the date of this announcement and are subject to a variety of unpredictable risks, uncertainties, and other unknowns. Actual and future results and trends could differ materially from those set forth in such statements due to various factors, many of which are beyond our ability to control or predict. Given these uncertainties, no one should place undue reliance on any forward-looking statements attributable to the Company, or any of its affiliates or persons acting on its behalf. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Neither the Company nor any other person gives any representation, warranty, assurance, or guarantee that the occurrence of the events expressed or implied in any forward-looking statement will actually occur. To the maximum extent permitted by law, the Company and each of its advisors, affiliates, related bodies corporate, directors, officers, partners, employees and agents disclaim any responsibility for the accuracy or completeness of any forward-looking statements whether as a result of new information, future events or results or otherwise.

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-ENDS-

For further information contact:

Gavin Lockyer
Managing Director
+61 8 6370 2800

Media Enquiries:

Amy Pepper
Head of Corporate Affairs
+61 405 031 844

Authorised by:

The Board of Directors of Arafura Rare Earths Limited

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