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ASX ANNOUNCEMENT

COMPLETION OF BOOKBUILD FOR UPSIZED FULLY UNDERWRITTEN A$25 MILLION INSTITUTIONAL PLACEMENT

14 December 2023

- **Firm commitments received for a fully underwritten institutional placement of A$25 million at an issue price of A$0.16 per share.**
- **Placement upsized from A$20 million due to strong demand.**
- **Placement bookbuild saw strong demand from leading investor groups both domestically and abroad, providing an endorsement of the Company's development plans for the Nolans Project.**
- **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 provide an update as to the status of the capital raising announced to the ASX on 13 December 2023 ("**Capital Raising**").

The Company has received firm commitments for a fully underwritten institutional placement of new fully paid ordinary shares ("**New Shares**") to raise A$25 million (before costs) ("**Placement**") at an issue price of A$0.16 per New Share ("**Issue Price**"). Approximately 156 million New Shares will be issued under the Placement.

The Placement was well supported, with high levels of institutional participation that included leading investor groups domestically and abroad, which facilitated a decision to an upsize the amount to be raised under the Placement from A$20 million to A$25 million.

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, which will have an exercise price of A$0.225 and an expiry date of 18 months from the date of issue, 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.

Arafura will resume trading on the ASX from market open today, 14 December 2023, with settlement under the Placement expected to occur on 19 December 2023 ahead of the issue and commencement of trading on the ASX on a normal basis prior to the commencement of trading on 20 December 2023.

Arafura refers to page 20 of the Company's Investor Presentation announced to the ASX on 13 December 2023 and notes that the revised sources and uses of funds summary due to the upsized Placement is set out below.

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 of Funds	A$m
(+) Gross proceeds from the Placement	25
(+) Cash and cash equivalents (as at 30 November 2023, unaudited)	51
(+) Expected MMI grant funding (A$9m) and expected interest received on cash until June 2024	10
Total Sources of Funds	**86**

Uses of Funds[1]	A$m
(+) Integrated project management team costs (including KBR)	12
(+) Detailed engineering (including Hatch) and ECI works to advance detailed design and construction planning	21
(+) Procurement of certified vendor data and equipment to support detailed engineering	7
(+) Site overheads, ESG, technology and business development and exploration	7
(+) Corporate costs including office costs project funding, and sales and marketing	7
(+) Transaction costs	1
(+) Retained cash liquidity buffer	31
Total Uses of Funds[2]	**86**

In addition to the Placement, and as previously announced to ASX on 13 December 2023, the Company is offering 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 a Share Purchase Plan ("**SPP**"). The Company is targeting to raise A$10 million (before costs) through the SPP, and the offer price under the SPP is the same as the Issue Price under the Placement.

The Company notes that it issued shares under a previous share purchase plan on 6 January 2023. In order to fall within ASX Listing Rule 7.2, Exception 5, the Company is restricted from issuing or agreeing to issue any shares under the offer contained in the SPP until after 6 January 2024. Accordingly, application monies received under the SPP before 7 January 2024 will be held on trust by the Company until 7 January 2024, and applications received before 7 January 2024 will only be deemed to be received by the Company under the SPP on that date. Accordingly, applicants who have made an application under the SPP before 7 January 2024 may withdraw their application.

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 (and despatched to shareholders) in due course.

[1] Estimated use of funds based on a Placement to raise A$25m (before costs). Arafura has launched a SPP so may raise more than A$25m. If a larger amount is raised, the Company will determine the best use of such additional funds towards line items noted in the table.

[2] Estimated use of funds through to June 30, 2024 utilises the Placement proceeds, MMI grant funding and existing cash reserves at 30 November 2023.

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Placement and SPP Indicative Timetable

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.

Summary Information

The following disclaimer applies to this announcement and any information contained in it. The information in this announcement is of 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
Corporate Affairs Manager
+61 405 031 844

Authorised by:

Catherine Huynh
Company Secretary

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