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ASX ANNOUNCEMENT

TARGET MARKET DETERMINATION

15 December 2023

Arafura Rare Earths Limited (**ASX: ARU**) ("**Arafura**" or the "**Company**") refers to its announcements released to the ASX on 13 and 14 December 2023 regarding its placement and share purchase plan.

As the Company is offering free attaching options under the placement component of the capital raising, it is required to release a Target Market Determination.

What is a Target Market Determination?

A Target Market Determination is a document which describes who a product is appropriate for (ie, its target market), and any conditions around how the product can be distributed to customers. It also describes the events or circumstances where the Company may need to review the Target Market Determination for a financial product.

Why does Arafura need to have a Target Market Determination?

Under the placement component of the capital raising, the company is offering investors 1 free attaching option for every 2 shares subscribed for under the placement.

Because Arafura is offering options to investors, it is required to have a Target Market Determination in place due to the Design and Distribution Obligations under Pt 7.8A of the *Corporations Act 2001* (Cth). This is to ensure that the placement investors fit within the relevant 'target market' for the offer.

A copy of the Company's Target Market Determination is included below.

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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."

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Target Market Determination

Made by: Arafura Rare Earths Limited (ACN 080 933 455) of Level 6, 432 Murray Street, Perth Western Australia 6008 (**Company**)

Product: Options to be issued in connection with a prospectus, lodged by the Company on 15 December 2023, to acquire fully paid ordinary shares in the capital of the Company with an exercise price of $0.225 and an expiry date of 18 months from the date of their issue (**New Options**).

Effective Date: 15 December 2023

1. Background

On 13 December 2023 and 14 December 2023, the Company announced a placement of fully paid ordinary shares (**New Shares**) to institutional and sophisticated investors (**Placement Investors**) to raise $25 million (before costs) (**Placement**). Alongside the Placement, the Company announced a share purchase plan targeting to raise a further A$10 million.

This target market determination (**TMD**) has been prepared by the Company in relation to an offer to issue to the Placement Investors one (1) New Option for every two (2) New Shares subscribed for under the Placement (**Offer**), which is being made by the Company under a transaction specific prospectus lodged with the Australian Securities and Investments Commission (**ASIC**) and dated 15 December 2023 (**Prospectus**). A copy of the Prospectus is available on the Company's website (www.arultd.com) and has been released to the Australian Securities Exchange (**ASX**).

The New Options are being offered under the Prospectus to the Placement Investors by invitation only so that the New Options issued to the Placement Investors will be freely tradeable (and the Shares issued on exercise of those New Options will also be freely tradeable due to the operation of ASIC Corporations (Sale Offers That Do Not Need Disclosure) Instrument 2016/80). The Company will seek quotation of the New Options on ASX.

The Offer will be made under, or accompanied by, a copy of the Prospectus. Any recipient of this TMD should carefully read and consider the Prospectus in full and consult their professional adviser if they have any questions regarding the contents of the Prospectus. Any recipient of this TMD who wants to acquire New Options under the Offer will need to complete the Application Form that will be in, or will accompany, the Prospectus. There is no cooling off period in respect of the issue of the New Options. This TMD is not a disclosure document for the purposes of the *Corporations Act 2001* (Cth), and therefore has not been lodged, and does not require lodgement, with the ASIC nor does it contain a full summary of the terms and conditions of the New Options.

This TMD does not take into account what you currently have, or what you want and need, for your financial future. It is important for you to consider these matters and read the Prospectus before you make an investment decision. The Company is not licensed to provide financial product advice in relation to the New Options.

Unless otherwise defined in this TMD, capitalised terms have the meaning given to them in the Prospectus.

2. Target Market

The objectives, financial situation and needs of investors which are suitable for investment in the New Options and an explanation of why those particular financial circumstances are suitable are provided below:

Factor	Target Market
Target Market and Investment Objective	The Company expects that an investment in New Options will be suitable to investors who: • wish to gain exposure to equities in a small to medium-cap exploration and mining company listed on the ASX; • are in a position to pay any exercise amounts in relation to the New Options in due course; and • are looking to diversify their investment holdings. Particularly, it will be those investors (being the Placement Investors) that are allocated New Options pursuant to the Offer made by the Company under the Prospectus.
Investment Timeframe	The target market of investors will take a short to medium term outlook in relation to their investment in the Company. Investors with a short-term outlook for their investment will benefit from an anticipated listing of the New Options on the ASX, as well as an ability to exercise New Options and trade the underlying Shares issued on exercise should the New Option exercise price be lower than the trading price of the Company's Shares. Investors with a medium-term outlook will benefit from an ability to exercise New Options within the 18-month term of the New Options and increase their shareholding and exposure to the potential upside in the Company's Shares into the future. Given the need to pay the exercise price on the New Options to acquire Shares, investors in the target market are in a financial position that is sufficient for them to invest further funds over the time period prior to the expiry date of the New Options, should they wish to exercise their New Options.
Investor Suitability Metrics	While the Company does not have an established eligibility framework for investors based on metrics such as age, expected return or volatility, it is expected that the target market of investors will be accustomed to participating in speculative investments in the exploration and mining sector and who will be able to withstand potential fluctuations in the value of their investment. The New Options offer no guaranteed income or capital protection.
Risks	The Company considers that an investment in the New Options is highly speculative, such that an investment in the Company is not appropriate for an investor who would not be able to bear a loss of some or all of the investment. Investors should also have a sufficient level of financial literacy and resources (either alone or in conjunction with an appropriate adviser) to understand and appreciate the risks of investing in New Options as an asset class generally and the more specific risks of investing in the Company.

3. Distribution Conditions

The offer of New Options under the Prospectus is being made to those institutional and sophisticated investors in the Permitted Jurisdictions who participated in the Placement (being the Placement Investors). Only those investors who are confirmed as Placement Investors will be eligible to apply for New Options under the Prospectus.

The Company considers that these distribution conditions will ensure that persons who invest in New Options fall within the target market.

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4. Review Triggers

The New Options are being offered for a limited offer period set out in the Prospectus, after the conclusion of which the New Options will no longer be available for investment by way of issue. It follows that the TMD will only apply in the period between the commencement of the offer of the New Options and the issue of the New Options shortly after the close of the Offer (**Offer Period**), after which the TMD will be withdrawn.

To allow the Company to determine whether circumstances exist that indicate this TMD is no longer appropriate to the New Options and should be reviewed, the following review triggers apply for the Offer Period:

(a) there is a material change to the key attributes of the New Options that make it no longer consistent with the likely objectives, financial situation and needs of clients in the target market;

(b) the Company lodges with ASIC a supplementary or replacement prospectus in relation to the Prospectus;

(c) the occurrence of a significant dealing in New Options that is not consistent with this TMD. The Company does not consider that an on-sale of the New Options on market is a significant dealing;

(d) the Company identifies a substantial divergence in how the New Options are being distributed and purchased from this TMD;

(e) ASIC raises concerns with the Company regarding the adequacy of the design or distribution of the New Options or this TMD; and

(f) material changes to the regulatory environment that applies to an investment in the New Options.

The Company may also amend this TMD at any time.

5. Review Period

If a review trigger occurs during the Offer Period, the Company will undertake a review of the TMD in light of the review trigger.

The Company will otherwise complete a review of the TMD immediately prior to the issue of New Options under the Offer.

Periodic reviews of the TMD will not occur during the Offer Period, noting that the Offer Period is (subject to any decision to extend) less than one month. If the Offer Period is extended for more than one month, the TMD will be reviewed on a monthly basis.

6. Information Reporting

The reporting requirements of all distributors is detailed in the table below:

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Reporting requirement	Period for reporting to the Company by the distributor	Information to be provided
Whether the distributor received complaints about the New Options.	• For such time as the Offer Period remains open, within 10 business days after the end of each quarter. • Within 10 business days after the end of the Offer Period.	• The number of complaints received. • A summary of the nature of each complaint or a copy of each complaint.
A significant dealing of the New Options that is not consistent with this TMD	As soon as reasonably practicable after the significant dealing occurs, but in any event no later than 10 business days after the significant dealing occurs.	• Details of the significant dealing. • Reasons why the distributor considers that the significant dealing is not consistent with this TMD.
A summary of the steps taken by the distributor to ensure that its conduct was consistent with this TMD.	Within 10 business days after the close of the Offer Period in accordance with the Prospectus.	A summary of the steps taken by the distributor to ensure that its conduct was consistent with this TMD.

7. Contact Details

Contact details in respect of this TMD for the Company are Catherine Huynh, Company Secretary.

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