

ASX ANNOUNCEMENT

A\$121 MILLION INSTITUTIONAL PLACEMENT AND LAUNCH OF SPP

5 December 2022



- **Firm commitments received for A\$121 million placement to accelerate the Nolans Project development schedule**
- **Exceptional support for the Placement received from global investors and existing shareholders, demonstrating an increasing awareness of the Nolans Project and the importance of NdPr to the supply chains essential to energy transition**
- **Hancock Prospecting Pty Ltd acted as a cornerstone investor, committing to invest \$60 million which will result in a post-completion interest of ~10%**
- **Share Purchase Plan targeted to raise approximately A\$12 million**
- **Funds raised will be applied towards orders for long lead items, commencement of fabrication in readiness for main plant construction and early works and provides a pathway for ongoing engagement with strategic investors, offtake parties and debt financiers through 2023**

Arafura Rare Earths Limited (ASX: ARU) ("**Arafura**" or the "**Company**") is pleased to announce that it has received firm commitments from Australian and international institutional, sophisticated and professional investors to raise approximately A\$121 million (before costs) under a placement of fully paid ordinary shares ("**Shares**") ("**Placement**") over two tranches at an issue price of A\$0.37 per share. The Company is also offering Shares under a share purchase plan ("**SPP**") to existing eligible shareholders to raise a further approximately A\$12 million (before costs) at the same price.

Hancock Prospecting Pty Ltd acted as cornerstone investor in the Placement, committing to invest \$60m across two tranches, which will result in a post-completion interest of ~10% in Arafura.

Funds raised are intended to be used for the following activities with a view to accelerate the Nolans Project development schedule:

- completion of an early contractor involvement (ECI) phase to optimise the Nolans Project and agree a contract for the construction of the hydrometallurgical plant;
- placement of orders for long lead or near critical path items;
- commencement of fabrication in readiness for main plant construction;



"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."

- commencement of early works construction, including for the accommodation village, project water supply, earthworks and other associated items;
- continuation of detailed design and tender activities to advance the design and procurement of the Nolans Project across all areas; and
- ongoing marketing and sales negotiations in the US, Asia and Europe and financing activities.

Funds raised will also be used for general working capital purposes.

Arafura's Managing Director, Gavin Lockyer, said, "We are extremely pleased with the number of new and significant Australian and offshore institutional investors joining our register including Hancock Prospecting, a company well experienced in large project developments. The widespread interest in this Placement reflects the increasing global awareness of the importance of our NdPr oxide product within the supply chains essential to energy transition. The Nolans Project is well positioned to become a ground-breaking strategic development for Australia with its single site ore to oxide business model."

"Nolans is important to all countries that are seeking diversified and robust critical material supply chains as they strive to achieve their net-zero emissions targets".

"There is growing momentum behind the Nolans Project following the signing of our binding offtake with Hyundai and Kia and increasing confidence in our strong project economics as we transition into the construction phase".

"This funding will enable us to accelerate our development activities allowing commitment to long lead equipment and commencing on country earth works in preparation for our planned construction program in 2023".

Placement

The key details of the Placement are as follows:

Description	Number of Shares to be issued*	Funds to be raised*
Tranche 1	259,116,748	\$95,873,197
Tranche 2	67,910,280	\$25,126,803
Total		\$121,000,000

*Subject to settlement occurring.

The issue price of A\$0.37 per Share under the Placement represents:

- a 15.9% discount to the last closing price of Shares on 1 December 2022 of \$0.44 (before the Company went into trading halt); and
- a 15.1% discount to the five trading-day volume weighted average market price of Shares of \$0.436 to 1 December 2022.

Shares to be issued under Tranche 1 of the Placement will be issued pursuant to the Company's existing placement capacity under ASX Listing Rule 7.1 (and the issue will not require shareholder approval).

Tranche 2 of the Placement is subject to shareholder approval being obtained and a notice of meeting will be despatched shortly (for a shareholder meeting proposed to be held on or around 18 January 2023).

The issue of Shares under Tranche 1 of the Placement is expected to occur on or around 14 December 2022 and the issue of Shares under Tranche 2 of the Placement is expected to occur on or around 20 January 2023 (subject to shareholder approval being obtained).

Canaccord Genuity (Australia) Limited and Bell Potter Securities Limited acted as Joint Lead Managers and Bookrunners to the Placement.

Share Purchase Plan

The Company is pleased to offer all eligible existing shareholders on the Company's share register at 7.00pm (Sydney time) on 2 December 2022 with registered addresses in Australia or New Zealand the opportunity to apply for Shares in the Company by participating in the SPP.

The Company is targeting to raise approximately A\$12 million (before costs) through the SPP. The funds raised under the SPP will be used for the same purposes as described above.

The application for new shares under the SPP will be capped at a maximum of A\$30,000 per eligible shareholder, across all their holdings.

The offer price of \$0.37 per new share under the SPP will be 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).

Key dates in relation to the SPP

Timing (Sydney time)	Event
7:00pm, 2 December 2022	Record date
15 December 2022	Opening date
5:00pm, 30 December 2022	Closing date
3 January 2023	Announcement of results
3 January 2023	Issue date
4 January 2023	SPP Shares quoted and commence trading
4 January 2023	Despatch of holding statements

Subject to change. The Company reserves the right to vary these dates at any time.

All Shares to be issued under the Placement and SPP will rank equally with the Company's existing quoted shares on issue. The Placement and the SPP are not underwritten.

A copy of the investor presentation for the proposed capital raising will follow this announcement.

Summary Information

The following disclaimer applies to this announcement and any information contained in it. The information in this announcement is of general background 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, nor will 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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