



Arafura Resources Limited

ABN 22 080 933 455

2021

NOTICE OF ANNUAL GENERAL MEETING

AND

EXPLANATORY MEMORANDUM TO SHAREHOLDERS

DATE OF MEETING

21 October 2021

TIME OF MEETING

10.00am WST

PLACE OF MEETING

BDO Australia
38 Station Street
Subiaco, WA, 6008

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 Resources Limited

ABN 22 080 933 455

Notice of Annual General Meeting

Notice is given that the 2021 Annual General Meeting of the Company will be held at the offices of **BDO Australia, 38 Station Street, Subiaco Western Australia, 6008**, on 21 October 2021 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 2021.

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 2021 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 whose remuneration details 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 Quansheng Zhang as Director

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

Arafura Resources Limited

ABN 22 080 933 455

Notice of Annual General Meeting

“That Mr Quansheng Zhang, a Director of the Company who retires by rotation under rule 7.1(d) of the Company’s Constitution, be re-elected as a Director of the Company with effect from the close of the Meeting.”

Resolution 3 – Issue of Options to Mr Gavin Lockyer

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

“That, for the purposes of Listing Rule 10.14, section 208(1) of the Corporations Act and for all other purposes, approval is given for the issue of Options under the Option Plan to the Managing Director of the Company, Mr Gavin Lockyer, or his nominee, to the value of up to \$270,000, for the purposes and on the terms 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 Director who is eligible to participate in the Option Plan (or their nominee) 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.

A vote on this Resolution must not be cast (in any capacity) by or on behalf of Mr Lockyer or his associates except where it is cast by a person as a proxy appointed in writing that specifies how the proxy is to vote on the proposed Resolution and it is not cast on behalf of Mr Lockyer or his associates.

Arafura Resources Limited

ABN 22 080 933 455

Notice of Annual General Meeting

Resolution 4 – Issue of Performance Rights to Mr Gavin Lockyer

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

“That, for the purposes of Listing Rule 10.14, section 208(1) of the Corporations Act and for all other purposes, approval is given for the issue of Performance Rights under the Performance Rights Plan to the Managing Director of the Company, Mr Gavin Lockyer, or his nominee, to the value of up to \$202,500, for the purposes and on the terms 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 Director who is eligible to participate in the Performance Rights Plan (or their nominee) 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.

A vote on this Resolution must not be cast (in any capacity) by or on behalf of Mr Lockyer or his associates except where it is cast by a person as a proxy appointed in writing that specifies how the proxy is to vote on the proposed Resolution and it is not cast on behalf of Mr Lockyer or his associates.

Other business

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

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 defined in this Notice of Annual General Meeting and Explanatory Memorandum are defined in **Annexure A** to the Explanatory Memorandum.

Notice of Annual General Meeting

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 **4.00 pm WST on 19 October 2021**. 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

Given the uncertainty surrounding border restrictions as a result of COVID-19, it is proposed that the Meeting will be chaired by Mr Gavin Lockyer, the Managing Director 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 21 October 2021**.

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.

Arafura Resources Limited

ABN 22 080 933 455

Notice of Annual General Meeting

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 Resources 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 19 October 2021.

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 19 October 2021.

Lodgement of Proxy Forms

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

- mail to Arafura Resources 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, Level 12, 680 George Street, Sydney NSW 2000 Australia,

so that they are received no later than 10.00am WST on 19 October 2021.

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, contact the Company's share registry and obtain a Certificate of Appointment of Corporate Representative.

Arafura Resources Limited

ABN 22 080 933 455

Notice of Annual General Meeting

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, 3 or 4, 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.

If the Chairperson is appointed as your proxy and you have not specified the way the Chairperson is to vote on Resolutions 1, 3 or 4 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, 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 Audit (WA) Pty Ltd 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 2021. Relevant written questions for BDO Audit (WA) Pty Ltd 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 6th September 2021



Catherine Huynh
Company Secretary

Explanatory Memorandum

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 2021 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 2021 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 2021 is set out in the Directors' Report on pages 25 to 37 of the Company's Annual Report 2021 which was released to the market on 18 August 2021.

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 2021 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.

Arafura Resources Limited

ABN 22 080 933 455

Explanatory Memorandum

2 Resolution 2 - Re-election of Mr Quansheng Zhang as Director

Mr Quansheng Zhang retires by rotation in accordance with rule 7.1(d) of the Company's Constitution and, being eligible, offers himself for re-election.

Mr Zhang was first appointed as Non-Executive Director on 18 November 2016.

Mr Zhang has a Doctoral degree in Engineering and a Masters degree in Geophysical Prospecting. He is based in Nanjing in the People's Republic of China and is the General Manager of Hong Kong East China Non-Ferrous Mineral Resources Co Ltd (HKECE). Mr Zhang has over 30 years of mineral prospecting and exploration experience, and expertise in mineral resource surveys and geophysics.

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 Zhang) unanimously resolved that Mr Zhang's distinct set of skills and experience, including his mineral prospecting and exploration experience, is of obvious and ongoing benefit to the Board.

The Directors (excluding Mr Zhang) recommend that Shareholders vote in favour of Resolution 2.

3 Background for Resolutions 3 and 4 – Issue of Options and Performance Rights to Mr Gavin Lockyer

The Company has in place an Option Plan and a Performance Rights Plan. The main purpose of these plans is 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 with Shareholders in order to increase Shareholder value. The Board considers that the ability to issue Options and Performance Rights as incentives to employees and Directors (and other eligible participants) enables Eligible Executives to share in the future growth and profitability of the Company and provides a necessary mechanism to attract, retain and motivate personnel to achieve the Company's goals.

The issue of securities under these plans was approved by Shareholders at the Annual General Meeting held on 22 October 2020 for the purposes of exception 13 to Listing Rule 7.2.

A summary of the terms of the Option Plan and the Performance Rights Plan are set out in Annexures B and C respectively of the Explanatory Memorandum.

The Company is proposing to issue to the Managing Director of the Company, Mr Lockyer (or his nominee):

- (a) Options under the Option Plan up to a maximum value of \$270,000, under Resolution 3; and
- (b) Performance Rights under the Performance Rights Plan up to a maximum value of \$202,500, under Resolution 4,

(together, the **Proposed Issues**).

The formula to determine the number of Options that will be issued to Mr Lockyer (or his nominee) is set out below (**Option Calculation Formula**):

$$\frac{\text{Dollar value as determined by the Board (up to \$270,000)}}{\text{VWAP Price}}$$

The formula to determine the number of Performance Rights that will be issued to Mr Lockyer (or his nominee) is set out below (**Performance Rights Calculation Formula**):

Explanatory Memorandum

Dollar value as determined by the Board (up to \$202,500)
VWAP Price

For the purposes of the Option Calculation Formula and the Performance Rights Calculation Formula, **VWAP Price** means the VWAP of Shares over the 5 trading days immediately before the date of issue.

Overview of Listing Rules, Part 2E.1 of the Corporations Act and approvals sought

Issue of securities to related parties - Listing Rules 10.11 and 10.14

Listing Rule 10.11 requires a listed entity to obtain shareholder approval for the issue of securities to related parties, which includes a director of the Company.

Listing Rule 10.12, exception 8 provides that approval under Listing Rule 10.11 is not required for an issue of equity securities under an employee incentive scheme made, or taken to have been made, with the approval of the issuing entity's shareholders under Listing Rule 10.14.

Listing Rule 10.14 provides that a listed entity must not permit a director (or certain other persons) to acquire equity securities under an employee incentive scheme unless it obtains the approval of its shareholders.

Shareholder approvals sought

The Proposed Issues fall within Listing Rule 10.14 and therefore require the approval of Shareholders. Resolutions 3 and 4 seek the required Shareholder approvals to the Proposed Issues for the purposes of Listing Rule 10.14 and Chapter 2E of the Corporations Act (see below).

Mr Lockyer, as Managing Director of the Company, is entitled to participate in the Option Plan and Performance Rights Plan. The Board considers that the issue of Options and Performance Rights to Mr Lockyer (or his nominee) under the Option Plan and Performance Rights Plan (respectively) is in the Company's interests as it further aligns the interests of Mr Lockyer as the Managing Director with the interests of the Company's Shareholders in order to maximise Shareholder value. Further, the issue of Options and Performance Rights provides cost effective remuneration to Mr Lockyer in his role as Managing Director of the Company.

If Resolution 3 is passed, the Company will be able to proceed with the proposed issue of Options to Mr Lockyer and issue Options to the value of up to \$270,000 (as determined by the Board) using the formula described above to Mr Lockyer or his nominee.

If Resolution 3 is not passed, the Company will not be able to proceed with the issue of Options to Mr Lockyer or his nominee.

If Resolution 4 is passed, the Company will be able to proceed with the proposed issue of Performance Rights to Mr Lockyer and issue Performance Rights to the value of up to \$202,500 (as determined by the Board) using the formula described above to Mr Lockyer or his nominee.

If Resolution 4 is not passed, the Company will not be able to proceed with the issue of Performance Rights to Mr Lockyer or his nominee.

If approval is given under Listing Rule 10.14, approval is not required under Listing Rule 7.1.

Arafura Resources Limited

ABN 22 080 933 455

Explanatory Memorandum

Financial Benefit - Part 2E.1 of the Corporations Act

The Proposed Issues will constitute the giving of a financial benefit to a related party for the purposes of Part 2E.1 of the Corporations Act.

Section 208(1) of the Corporations Act states that for a public company to give a financial benefit to a related party of the public company (which includes its directors):

- (a) the public company must (i) obtain the approval of the public company's shareholders; and (ii) give the benefit within 15 months after the approval; or
- (b) the giving of the benefit must fall within an exception set out in sections 210 to 216.

The reasonable remuneration exception to the requirement for Shareholder approval contained in section 211 of the Corporations Act likely applies, however, the Directors consider that it is prudent and in the interests of good governance to seek Shareholder approval for the purposes of section 208 of the Corporations Act in any event.

All of the information that is required to be provided to Shareholders under Listing Rule 10.15 in order to obtain Shareholder approval under Listing Rule 10.14, and information required for the purposes of Chapter 2E of the Corporations Act, for each of Resolutions 3 and 4 is set out below.

4 Resolution 3 - Issue of Options to Mr Gavin Lockyer

As noted above, the Company is proposing to issue Options to Mr Gavin Lockyer (or his nominee) under the Option Plan, up to a maximum value of \$270,000 as determined by the Board.

Please refer to the "Background for Resolutions 3 and 4 - Issue of Options and Performance Rights to Mr Gavin Lockyer" for information about the Option Plan, Listing Rules 10.11 and 10.14 and Part 2E.1 of the Corporations Act.

(a) Information required by Listing Rule 10.15

Listing Rule 10.15 sets out the information that must be provided to Shareholders in order to obtain Shareholder approval under Listing Rule 10.14. The following information is provided in accordance with Listing Rule 10.15:

- (i) The person to acquire Options under the Option Plan is Mr Gavin Lockyer, the Managing Director of the Company (or his nominee).
- (ii) Mr Lockyer falls within Listing Rule 10.14.1 as he is the Managing Director of the Company. His nominee (if applicable) would fall within Listing Rule 10.14.2, as his associate.
- (iii) Mr Lockyer (or his nominee) will be issued Options under the Option Plan up to a maximum value of \$270,000, as determined by the Board. The actual number of Options issued will be determined based on the Option Calculation Formula.

Set out below are worked examples (for illustration purposes only) showing how the number of Options will be calculated in practice under different price assumptions under the Option Calculation Formula. These calculations assume that the Board approves the issue of Options to a value of \$270,000.

Explanatory Memorandum

	At \$0.130 If the VWAP Price is equal to the closing market price on 23 August 2021 (“Price”)	At \$0.260 If the VWAP Price is equal to double the Price	At \$0.065 If the VWAP Price is equal to half the Price
Number of Options to be issued (rounded down)	2,076,923 Options	1,038,461 Options	4,153,846 Options

(iv) The material terms of the Options are as follows:

- i. the exercise price of each Option will be 143% of the VWAP Price;
- ii. the Options will vest (and become exercisable) 3 years from the date of issue; and
- iii. the Options will expire 4 years from the date of issue.

The terms set out in the Option Plan also apply to the Options.

(v) A summary of the material terms of the Option Plan is set out in Annexure B of this Explanatory Memorandum.

(vi) The current total remuneration package for Mr Lockyer is:

	Salary and Fees	Non-Monetary benefits	Superannuation	Share based payments	Other (Long Service Leave)	Total
2021	\$401,100	-	\$25,000	\$6,046	\$8,650	\$440,796

(vii) Since its initial adoption in 2017, Mr Lockyer has previously been issued 4,750,000 Options under the Option Plan for nil consideration.

(viii) The Options are being used to provide cost effective remuneration for Mr Lockyer as an incentive, alignment and retention tool.

(ix) The indicative total value of the Options to be issued to Mr Lockyer is a maximum of \$270,000. The Board will use this value (or a lower value) to calculate the number of Options that will be issued based on the Option Calculation Formula, which takes into account the VWAP Price.

(x) It is proposed that Mr Lockyer (or his nominee) will be issued the Options as soon as practicable (and in any event within 3 years) after the date of the Meeting.

Arafura Resources Limited

ABN 22 080 933 455

Explanatory Memorandum

- (xi) The Options will be issued to Mr Lockyer (or his nominee) for nil consideration (in line with the terms of the Option Plan, which is summarised in Annexure B of this Explanatory Memorandum) as part of his remuneration package.
- (xii) No loan will be provided in relation to the acquisition or exercise of the Options.
- (xiii) Details of any Options issued under the Option Plan will be published in the annual report of the Company relating to the period in which they were issued, along with a statement that approval for the issue was obtained under Listing Rule 10.14.
- (xiv) Any additional persons covered by Listing Rule 10.14 who become entitled to participate in an issue of Options under the Option Plan after the resolution is approved and who were not named in the Notice will not participate until approval is obtained under that rule.
- (xv) A voting exclusion statement in respect of Resolution 3 is set out in the Notice.

(b) Information required for the purposes of Chapter 2E of the Corporations Act

Section 219 of the Corporations Act sets out the information that must be provided to Shareholders in order to obtain Shareholder approval under section 208(1). The following information is provided in accordance with section 219 of the Corporations Act and the corresponding ASIC policy:

- (i) Subject to Resolution 3 being passed, the financial benefit would be given to Mr Gavin Lockyer, the Managing Director of the Company, or his nominee.
- (ii) The nature of the financial benefit is issuing Mr Lockyer (or his nominee) Options for nil cash consideration under the Option Plan, up to a maximum value of \$270,000 as determined by the Board. The exercise price of the Options will be 143% of the VWAP Price on the date of issue of the Options. Any funds raised upon exercise of the Options will be used by the Company to further its projects and for additional working capital.
- (iii) A summary of the material terms of the Option Plan is set out in Annexure B and the material terms of the Options are set out in paragraph (a)(iv) above. The maximum number of Options that will be issued will be determined based on the Option Calculation Formula. A number of worked examples (for illustration purposes only) to show how the amount of Options will be determined in practice under different price assumptions under the Option Calculation Formula are set out in paragraph (a)(iii) above.
- (iv) Information about the value of the Options is set out in paragraph (a)(ix) above.
- (v) The value of Options to be issued to Mr Lockyer (or his nominee) was determined by the Board following advice from an external remuneration consultant, taking into consideration Mr Lockyer's performance, current market conditions and other remuneration he is due to receive under his terms of engagement, and the exercise price was determined as an incentive linked to performance of the Company. The maximum value of Options that may be issued to Mr Lockyer (or his nominee) is \$270,000.

Arafura Resources Limited

ABN 22 080 933 455

Explanatory Memorandum

(vi) The primary purpose of the issue of Options to Mr Lockyer (or his nominee) under the Option Plan is to provide a competitive remuneration package to Mr Lockyer and to motivate and reward the expected performance of Mr Lockyer in his role as Managing Director of the Company.

(vii) Information about Mr Lockyer's remuneration package is set out in paragraph (a)(v) above.

(viii) Mr Lockyer held or had interests in the following securities in the Company as at the date of this Notice:

	Shares	Options	Performance Rights
Gavin Lockyer	2,356,706	4,750,000	2,500,000

(ix) The number of Options to be issued to Mr Lockyer (or his nominee) will be determined in accordance with the Option Calculation Formula. Based on the worked examples set out in paragraph (a)(iii) above, and assuming the Board approves the issue of Options to Mr Lockyer (or his nominee) to the value of \$270,000:

- i. if the VWAP Price is \$0.130, 2,076,923 Options would be issued to Mr Lockyer (or his nominee). If the 2,076,923 Options issued to Mr Lockyer (or his nominee) are exercised, a total of 2,076,923 Shares would be issued. This would increase the number of Shares on issue from 1,549,947,332 to 1,552,024,255 (assuming no other Options or Performance Rights are exercised and no other Shares are issued) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 0.13%;
- ii. if the VWAP Price is \$0.260, 1,038,461 Options would be issued to Mr Lockyer (or his nominee). If the 1,038,461 Options issued to Mr Lockyer (or his nominee) are exercised, a total of 1,038,461 Shares would be issued. This would increase the number of Shares on issue from 1,549,947,332 to 1,550,985,793 (assuming no other Options or Performance Rights are exercised and no other Shares are issued) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 0.07%; and
- iii. if the VWAP Price is \$0.065, 4,153,846 Options would be issued to Mr Lockyer (or his nominee). If the 4,153,846 Options issued to Mr Lockyer (or his nominee) are exercised, a total of 4,153,846 Shares would be issued. This would increase the number of Shares on issue from 1,549,947,332 to 1,554,101,178 (assuming no other Options or Performance Rights are exercised and no other Shares are issued) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 0.27%.

(x) The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Options to Mr Lockyer on the terms proposed.

(xi) The Directors do not make any recommendation to Shareholders in respect of Resolution 3 since this Resolution concerns a Director's remuneration.

(xii) Mr Lockyer has a material personal interest in the outcome of Resolution 3 since he (or his nominee) will receive Options under the Option Plan if the Resolution is approved by Shareholders

Explanatory Memorandum

(and therefore did not vote on this matter at the Board meeting that approved the proposed issue of Options to him). The other Directors do not have an interest in the outcome of Resolution 3.

- (xiii) A voting exclusion statement in respect of Resolution 3 is set out in the Notice.
- (xiv) The Board and the Company are not aware of any other information (other than the information set out or referred to in this Explanatory Memorandum and in the Remuneration Report) that would be reasonably required by Shareholders to allow them to make a decision as to whether it is in the best interests of the Company to pass this Resolution.

5 Resolution 4 – Issue of Performance Rights to Mr Gavin Lockyer

As noted above, the Company is proposing to issue Performance Rights to Mr Gavin Lockyer (or his nominee) under the Performance Rights Plan, up to a maximum value of \$202,500 as determined by the Board. The Performance Rights will vest (and Shares will be issued) upon satisfaction of the vesting condition attached to the Performance Rights (as set out below).

Please refer to the “Background for Resolutions 3 and 4 - Issue of Options and Performance Rights to Mr Gavin Lockyer” for information about the Performance Rights Plan, Listing Rules 10.11 and 10.14 and Part 2E.1 of the Corporations Act.

(a) Information required by Listing Rule 10.15

Listing Rule 10.15 sets out the information that must be provided to Shareholders in order to obtain Shareholder approval under Listing Rule 10.14. The following information is provided in accordance with Listing Rule 10.15:

- (i) The person to acquire Performance Rights under the Performance Rights Plan is Mr Gavin Lockyer, the Managing Director of the Company (or his nominee).
- (ii) Mr Gavin Lockyer falls within Listing Rule 10.14.1 as he is the Managing Director of the Company. His nominee (if applicable) would fall within Listing Rule 10.14.2, as his associate.
- (iii) Mr Lockyer (or his nominee) will be issued Performance Rights under the Performance Rights Plan up to a maximum value of \$202,500, as determined by the Board. The actual number of Performance Rights issued will be determined based on the Performance Rights Calculation Formula. Set out below are worked examples (for illustration purposes only) showing how the number of Performance Rights will be calculated in practice under different price assumptions under the Performance Rights Calculation Formula. These calculations assume that the Board approves the issue of Performance Rights to a value of \$202,500.

	at \$0.130 If the VWAP Price was equal to the closing market price on 23 August 2021 (“Price”)	at \$0.260 If the VWAP Price was equal to double the Price	at \$0.065 If the VWAP Price was equal to half the Price
Number of Performance Rights to be	1,557,692 Performance Rights	778,846 Performance Rights	3,115,384 Performance Rights

Arafura Resources Limited

ABN 22 080 933 455

Explanatory Memorandum

issued (rounded down)			
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- (iv) The proposed Performance Rights to be issued to Mr Lockyer (or his nominee) will vest upon the Company announcing to the ASX that the Board has made the final investment decision in relation to the Nolans Project. No issue price is payable for the Performance Rights, and no payment is required on vesting of a Performance Right. The Performance Rights will, if not vested, lapse on 31 December 2022.
- (v) Information about Mr Lockyer's current remuneration package is set out in paragraph (a)(v) in the Explanatory Memorandum for Resolution 3.
- (vi) Since its initial adoption in 2017, Mr Lockyer has previously been issued 3,000,000 Performance Rights under the Performance Rights Plan for nil consideration.
- (vii) A summary of the material terms of the Performance Rights Plan is set out in Annexure C of this Explanatory Memorandum. In addition, and for clarity, a Performance Right does not confer any right to:
- (A) a return of capital, whether in a winding up, upon a reduction of capital or otherwise; or
 - (B) participate in the surplus profit or assets of the entity upon a winding up.
- (viii) The Performance Rights are being used to provide cost effective remuneration for Mr Lockyer as an incentive, alignment and retention tool.
- (ix) The indicative total value of the Performance Rights to be issued to Mr Lockyer is a maximum of \$202,500. The Board will use this value (or a lower value) to calculate the number of Performance Rights that will be issued based on the Performance Rights Calculation Formula, which takes into account the VWAP Price.
- (x) It is proposed that Mr Lockyer (or his nominee) will be issued the Performance Rights as soon as practicable after (and in any event within 3 years after) the date of the Meeting.
- (xi) The Performance Rights will be issued to Mr Lockyer (or his nominee) for nil consideration (in line with the terms of the Performance Rights Plan, which is summarised in Annexure C of this Explanatory Memorandum) as part of his remuneration package.
- (xii) No loan will be provided in relation to the acquisition of the Performance Rights.
- (xiii) Details of any Performance Rights issued under the Performance Rights Plan will be published in the annual report of the Company relating to the period in which they were issued, along with a statement that approval for the issue was obtained under Listing Rule 10.14.
- (xiv) Any additional persons covered by Listing Rule 10.14 who become entitled to participate in an issue of Performance Rights under the Performance Rights Plan after the resolution is approved and who were not named in the Notice will not participate until approval is obtained under that rule.
- (xv) A voting exclusion statement in respect of Resolution 4 is set out in the Notice.

Explanatory Memorandum

(b) Information required for the purposes of Chapter 2E of the Corporations Act

Section 219 of the Corporations Act sets out the information that must be provided to Shareholders in order to obtain Shareholder approval under section 208(1). The following information is provided in accordance with section 219 of the Corporations Act and the corresponding ASIC policy:

- (i) Subject to Resolution 4 being passed, the financial benefit would be given to Mr Gavin Lockyer, the Managing Director of the Company, or his nominee.
- (ii) The nature of the financial benefit is issuing Mr Lockyer (or his nominee) Performance Rights for nil cash consideration under the Performance Rights Plan, up to a maximum value of \$202,500 as determined by the Board. No vesting price is payable on vesting of the Performance Rights and the Company will not raise any funds on the issue of the Performance Rights or the vesting into Shares.
- (iii) A summary of the material terms of the Performance Rights Plan is set out in Annexure C and the vesting condition in relation to the Performance Rights is set out in paragraph (v) below. For clarity, a Performance Right does not confer any right to:
 - (A) a return of capital, whether in a winding up, upon a reduction of capital or otherwise; or
 - (B) participate in the surplus profit or assets of the entity upon a winding up.
- (iv) The maximum number of Performance Rights that will be issued will be determined based on the Performance Rights Calculation Formula. A number of worked examples (for illustration purposes only) to show how the amount of Performance Rights will be determined in practice under different price assumptions under the Performance Rights Calculation Formula are set out in paragraph (a)(iii) above.
- (v) The proposed Performance Rights to be issued to Mr Lockyer will vest upon the Company announcing to the ASX that the Board has made the final investment decision in relation to the Nolans Project. No issue price is payable for the Performance Rights, and no payment is required on vesting of a Performance Right. The Performance Rights will, if not vested, lapse on 31 December 2022.
- (vi) Information about the value of the Performance Rights is set out in paragraph (a)(ix) above.
- (vii) The value of Performance Rights to be issued to Mr Lockyer (or his nominee) was determined by the Board following advice from an external remuneration consultant, having regard to Mr Lockyer's performance, current market conditions and other remuneration he is due to receive under his terms of engagement. The maximum value of Performance Rights that may be issued to Mr Lockyer (or his nominee) is \$202,500.
- (viii) The primary purpose of the issue of Performance Rights to Mr Lockyer (or his nominee) under the Performance Rights Plan is to provide a performance linked incentive component in the remuneration package to Mr Lockyer and to motivate and reward the expected performance of Mr Lockyer in his role as Managing Director of the Company.
- (ix) The Board considers that the issue of Performance Rights to Mr Lockyer (or his nominee) under the Performance Rights Plan is in the Company's interests as it further aligns the interests of Mr Lockyer as the Managing Director of the Company with the interests of the Company's Shareholders in order to meet specific Board approved performance targets and generally to

Explanatory Memorandum

maximise Shareholder value. Further, the issue of the Performance Rights provides cost effective remuneration to Mr Lockyer in his role as Managing Director of the Company. The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Performance Rights to Mr Lockyer (or his nominee) on the terms proposed.

- (x) Information about Mr Lockyer's current remuneration package is set out in paragraph (a)(v) in the Explanatory Memorandum for Resolution 3.
- (xi) Information about Mr Lockyer's interests in the Company is set out in paragraph (b)(viii) in the Explanatory Memorandum for Resolution 3.
- (xii) The number of Performance Rights to be issued to Mr Lockyer (or his nominee) will be determined in accordance with the Performance Rights Calculation Formula. Based on the worked examples set out in paragraph (a)(iii) above, and assuming the Board approves the issue of Performance Rights to Mr Lockyer (or his nominee) to the value of \$202,500:
 - i. if the VWAP Price is \$0.130, 1,557,692 Performance Rights would be issued to Mr Lockyer (or his nominee). If the 1,557,692 Performance Rights issued to Mr Lockyer (or his nominee) are exercised, a total of 1,557,692 Shares would be issued. This would increase the number of Shares on issue from 1,549,947,332 to 1,551,505,024 (assuming no other Options or Performance Rights are exercised and no other Shares are issued) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 0.10%;
 - ii. if the VWAP Price is \$0.260, 778,846 Performance Rights would be issued to Mr Lockyer (or his nominee). If the 778,846 Performance Rights issued to Mr Lockyer (or his nominee) are exercised, a total of 778,846 Shares would be issued. This would increase the number of Shares on issue from 1,549,947,332 to 1,550,726,178 (assuming no other Options or Performance Rights are exercised and no other Shares are issued) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 0.05%; and
 - iii. if the VWAP Price is \$0.065, 3,115,384 Performance Rights would be issued to Mr Lockyer (or his nominee). If the 3,115,384 Performance Rights issued to Mr Lockyer (or his nominee) are exercised, a total of 3,115,384 Shares would be issued. This would increase the number of Shares on issue from 1,549,947,332 to 1,553,062,716 (assuming no other Options or Performance Rights are exercised and no other Shares are issued) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 0.20%.
- (xiii) The Directors do not make any recommendation to Shareholders in respect of Resolution 4 since this Resolution concerns a Director's remuneration.
- (xiv) Mr Lockyer has a material personal interest in the outcome of Resolution 4 since he (or his nominee) will receive Performance Rights under the Performance Rights Plan if the Resolution is approved by Shareholders (and therefore did not vote on this matter at the Board meeting that approved the proposed issue of Performance Rights to him). The other Directors do not have an interest in the outcome of Resolution 4.
- (xv) A voting exclusion statement in respect of Resolution 4 is set out in the Notice.
- (xvi) The Board and the Company are not aware of any other information (other than the information set out or referred to in this Explanatory Memorandum and in the Remuneration Report) that

Arafura Resources Limited

ABN 22 080 933 455

Explanatory Memorandum

would be reasonably required by Shareholders to allow them to make a decision as to whether it is in the best interests of the Company to pass this Resolution.

Annexure A – Definitions

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 21 October 2021 at 10.00 am WST.

Associated Bodies Corporate means:

- (a) a body corporate that is a related body corporate of the Company;
- (b) a body corporate that has Voting Power in the Company of not less than 20%; or
- (c) a body corporate in which the Company has Voting Power of not less than 20%.

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

Board means the board of Directors.

Casual Employee means an individual who is, or might reasonably be expected to be, engaged to work the number of hours that are the pro rata equivalent of 40% or more of a comparable full-time position with a member of the Group.

Chairperson means the chair of the Meeting, which is proposed to be Mr Gavin Lockyer, the Managing Director of the Company.

Company or Arafura means Arafura Resources Limited ABN 22 080 933 455.

Contractor means:

- (a) an individual with whom a member of the Group has entered into a contract for the provision of services under which the individual performs work for that member of the Group; or
- (b) a company with whom a member of the Group has entered into a contract for the provision of services under which an individual, who is a director of the company or their spouse, performs work for that member of the Group,

where the individual who performs the work under or in relation to the contract is, or might reasonably be expected to be, engaged to work the number of hours that are the pro rata equivalent of 40% or more of a comparable full-time position with the member of the Group.

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

Director means a Director of the Company.

Eligible Executive means an Executive nominated by the Board and whom the Board determines in its absolute discretion is to participate in the Employee Option Plan or the Performance Rights Plan (as applicable) and who has not given or been given a notice of termination of employment.

Executive means a person who is at the time of an offer under the Employee Option Plan or the Performance Rights Plan (as applicable):

Annexure A – Definitions

- (a) a full or part-time employee (including an executive Director);
- (b) a non-executive Director;
- (c) a Contractor;
- (d) a Casual Employee; or
- (e) a Prospective Participant,

of a member of the Group.

Explanatory Memorandum means the explanatory memorandum to the Notice.

Group means the Company and its Associated Bodies Corporate.

Listing Rules means the Listing Rules of ASX.

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

- (a) an immediate family member of the Eligible Executive;
- (b) a company whose members comprise no persons other than the Eligible Executive or immediate family members of the Eligible Executive; or
- (c) a corporate 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 trustee.

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

Option means an unlisted option to acquire a Share.

Option Calculation Formula has the meaning given in the “Background for Resolutions 3 and 4 – Issue of Options and Performance Rights to Mr Gavin Lockyer”.

Option Plan means the Arafura Resources Limited Employee Option Plan.

Participant means an Eligible Executive who is deemed to have accepted an offer under the Employee Option Plan or the Performance Rights Plan (as applicable) and to whom an Option or Right is (or is to be) issued under either plan, or its Nominee (as the context requires).

Performance Right means a right granted under the Performance Rights Plan.

Performance Rights Calculation Formula has the meaning given in the “Background for Resolutions 3 and 4 – Issue of Options and Performance Rights to Mr Gavin Lockyer”.

Performance Rights Plan means the Arafura Resources Limited Performance Rights Plan.

Prospective Participant means a person to whom an offer is made under the Employee Option Plan or the Performance Rights Plan (as applicable) but who can only accept that offer if an arrangement has been entered into that will result in the person becoming covered by one of paragraphs (a) to (d) of the definition of Executive.

Annexure A – Definitions

Proxy Form means the proxy form attached to the Notice.

Remuneration Report means the report commencing on page 25 of the Company's 2021 Annual Report which was released to the market on 18 August 2021.

Resolution means a resolution contained in the Notice.

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

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

Shareholder means a shareholder of the Company.

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

WST means Western Australian Standard Time.

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

VWAP means volume weighted average price (calculated based on the price for Shares published on ASX).

VWAP Price has the meaning given in the "Background for Resolutions 3 and 4 – Issue of Options and Performance Rights to Mr Gavin Lockyer".

Annexure B – Summary of Employee Option Plan

In this Annexure B, references to “Plan” mean references to the Employee Option Plan.

The key terms of the Plan are as follows:

- (a) The Board may offer Options to Eligible Executives in the form of an “Offer Document”.
- (b) The Board may offer Options to Eligible Executives having regard to the seniority of the Eligible Executive and the position the Eligible Executive occupies in the Group, each Eligible Executive’s length of service with the Group, the record of employment of the Eligible Executive with the Group, the contribution the Eligible Executive has made to the Group, the potential contribution of the Eligible Executive to the Group and any other matters which the Board considers relevant.
- (c) No issue price is payable for the Options and the Offer Document will set out (among other things) the number of Options offered, the exercise price for an Option, the date the Options will expire and any other information required by law or the Listing Rules or considered by the Board to be relevant.
- (d) Upon receipt of an offer, an Eligible Executive may, by notice in writing to the Board, nominate a Nominee in whose favour the Eligible Executive wishes to renounce the offer. The Board may, in its discretion, resolve not to allow a renunciation of an offer in favour of a Nominee without giving any reason for that decision.
- (e) Each Option will entitle a Participant to subscribe for and be issued one Share at the exercise price set out in the offer.
- (f) Options may not be transferred.
- (g) Options will not be quoted on ASX.
- (h) An Option carries no right to a dividend and no right to a vote.
- (i) Any Shares issued on exercise of Options will rank equally with all existing Shares on issue.
- (j) The Board may determine (at any time) that some or all Options are or will become exercisable immediately if:
 - (1) 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 (other than for the happening of the events or circumstances set out in section 652C(l) and (2) of the Corporations Act or the condition set out in section 625(3) of the Corporations Act); or
 - (2) 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
 - (3) 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.
- (k) An Option not exercised will lapse on the first to occur of:
 - (1) the expiry date of the Option as set out in the Offer Document;
 - (2) the expiry of 30 days, or any longer period which the Board determines, after the Participant ceases to be employed or engaged by any member of the Group for any reason, including death, Total and Permanent Disablement or Retirement; and
 - (3) a determination of the Board that the Participant has acted fraudulently, dishonestly or in breach of the Participant’s obligations to the Company or any member of the Group and that the Option is to be forfeited.

Arafura Resources Limited

ABN 22 080 933 455

Annexure B – Summary of Employee Option Plan

- (l) The Board may, in its sole discretion, before an Option expires, determine that an Option will not lapse under the circumstances set out in paragraph (k) above if the Participant has ceased to be employed by any member of the Group as a result of:
 - (1) Total and Permanent Disablement, ill health, death, economic necessity or any other factor not attributable to the conduct or performance of that person; or
 - (2) Retirement under circumstances that are not related to the conduct or performance of that person, in which case the Option 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 Option otherwise lapses in accordance with the Plan.
- (m) The Board may stipulate in an Offer Document (or elsewhere) that Options may only be exercised if the Company (or a business division) achieves stipulated performance hurdles.
- (n) A Participant may only participate in new issues of securities to Shareholders if the Option has been exercised, if that is permitted by its terms, and the Shares have been issued in respect of the Option before the record date for determining entitlements to the issue.
- (o) In the event of any reorganisation of the capital of the Company, the rights of an Option holder will be changed to the extent necessary to comply with the Listing Rules applying to such reorganisation at the time of the reorganisation.
- (p) If the Company makes an offer of Shares pro rata to all or substantially all Shareholders (other than an issue in lieu of or in satisfaction of dividends or by way of dividend reinvestment) for a subscription price which is less than the market price, and no Shares have been issued in respect of an Option before the record date for determining entitlements to the rights issue, then the exercise price per Share will be adjusted in a manner consistent with the formula set out in Listing Rule 6.22.
- (q) If the Company makes a bonus issue of Shares or other securities pro rata to shareholders (other than an issue in lieu of, or in satisfaction of, dividends or by way of dividend reinvestment) and no Shares have been issued in respect of an Option before the record date for determining entitlements to the bonus issue, then the number of securities over which the Option is exercisable will be increased by the number of securities which the Option holder would have received if the Option had been exercised before the record date for the bonus issue.
- (r) If, when making an offer of Options under the Plan, the Company does so in reliance on ASIC Class Order [CO 14/1000], it must, at the time of making the offer, have reasonable grounds to believe that the number of Shares that have been, or may be, issued in any of the circumstances covered by the following paragraphs will not exceed 5% of the total number of Shares:
 - (1) Shares that may be issued under the offer or any other offer to be made under the Plan (to the extent offered in reliance on ASIC Class Order [CO 14/1000]);
 - (2) Shares issued or that may be issued as a result of offers made at any time during the previous three year period under:
 - (3) the Plan or any other Employee Incentive Scheme (as defined in ASIC Class Order [CO 14/1000]) in reliance on ASIC Class Order [CO 14/1000] or its predecessors; or
 - (4) an ASIC exempt arrangement of a similar kind to an Employee Incentive Scheme (as defined in ASIC Class Order [CO 14/1000]).
- (s) Offers of Options made or Shares issued other than in reliance on ASIC Class Order [CO 14/1000] or its predecessors (such as offers received outside of Australia or under an exception in section 708 of the Corporations Act) will not be included in calculating the 5% limit.

Arafura Resources Limited

ABN 22 080 933 455

Annexure B – Summary of Employee Option Plan

- (t) Subject to the Plan, the Listing Rules and all applicable laws, the Board may at any time by written instrument amend all or any of the rules of the Plan.

Annexure C – Summary of Performance Rights Plan

In this Annexure C, references to “Plan” mean references to the Performance Rights Plan.

The key terms of the Plan are as follows:

- (a) The Board may offer Performance Rights to Eligible Executives in the form of an “Offer Document”.
- (b) The Board may offer Performance Rights to Eligible Executives having regard to the seniority of the Eligible Executive and the position the Eligible Executive occupies in the Group, each Eligible Executive’s length of service with the Group, the record of employment of the Eligible Executive with the Group, the contribution the Eligible Executive has made to the Group, the potential contribution of the Eligible Executive to the Group and any other matters which the Board considers relevant.
- (c) No issue price is payable for the Performance Rights.
- (d) No payment is required for the grant of, or on vesting or exercise of a Performance Right.
- (e) The Offer Document will set out (among other things) the number of Performance Rights offered, the performance conditions that must be satisfied or circumstances which must exist before a Performance Right vests, the period for satisfaction of a performance condition and any other information required by law or the Listing Rules or considered by the Board to be relevant.
- (f) Upon receipt of an offer, an Eligible Executive may, by notice in writing to the Board, nominate a Nominee in whose favour the Eligible Executive wishes to renounce the offer. The Board may, in its discretion, resolve not to allow a renunciation of an offer in favour of a Nominee without giving any reason for that decision.
- (g) Each Performance Right which vests will entitle a Participant to be issued one Share.
- (h) Performance Rights will be automatically exercised when the Performance Rights vest.
- (i) Performance Rights may not be transferred unless by force of law or upon death to the Participant’s legal personal representative or upon bankruptcy to the Participant’s trustee in bankruptcy.
- (j) Performance Rights will not be quoted on ASX.
- (k) Performance Rights carry no right to a dividend and no right to a vote.
- (l) Performance Rights will not be quoted on ASX.
- (m) Any Shares issued on exercise of Performance Rights will rank equally with all existing Shares on issue.
- (n) The Board may determine (at any time) that some or all Performance Rights will vest are or will become exercisable immediately if:
 - (1) 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 (other than for the happening of the events or circumstances set out in section 652C(1) and (2) of the Corporations Act or the condition set out in section 625(3) of the Corporations Act); or
 - (2) 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
 - (3) 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.
- (o) A Performance Right not exercised will lapse on the first to occur of:
 - (1) the expiry date of the Performance Right as set out in the Offer Document;

Annexure C – Summary of Performance Rights Plan

- (2) the expiry of 30 days, or any longer period which the Board determines, after the Participant ceases to be employed or engaged by any member of the Group for any reason, including death, Total and Permanent Disablement or Retirement;
 - (3) a determination of the Board that the Participant has acted fraudulently, dishonestly or in breach of the Participant's obligations to the Company or any member of the Group and that the Performance Right is to be forfeited; and
 - (4) a determination of the Board that there has been a failure to meet any performance condition applicable to the Performance Right within the required period.
- (p) The Board may, in its sole discretion, before a Performance Right expires, determine that a Performance Right will not lapse under the circumstances set out in paragraph (m)(1) to (3) above if the Participant has ceased to be employed by any member of the Group as a result of:
- (1) Total and Permanent Disablement, ill health, death, economic necessity or any other factor not attributable to the conduct or performance of that person; or
 - (2) Retirement under circumstances that are not related to the conduct or performance of that person, in which case the Performance Right 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 Performance Right otherwise lapses in accordance with the Plan.
- (q) The Board may in its absolute discretion:
- (1) increase or decrease the level of vesting irrespective of performance in relation to a performance condition, if the Board forms the view in the light of the circumstance that prevailed during the measurement period that either nil vesting or a different level of vesting would be more reasonable in the circumstances; and/or
 - (2) vest some or all of a grant of Performance Rights prior to the end of the measurement period, if in the circumstances it considers it appropriate to do so.
- (r) If:
- (1) any reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company is effected; or
 - (2) Shares are issued as a result of a pro-rata issue,
- the number of Performance Rights, or the number of Shares to which each Participant is entitled upon exercising of Performance Rights, will be adjusted in the manner determined by the Board, having regard to the Listing Rules and the general principle to minimise or eliminate any material advantage or disadvantage to a Participant resulting from a corporate action.
- (s) A Participant may only participate in new issues of securities to shareholders if the Performance Right has vested and Shares have been registered in the name of the Participant before the record date for determining entitlements to the issue.
- (t) If, when making an offer of Performance Rights under the Plan, the Company does so in reliance on ASIC Class Order [CO 14/1000], it must, at the time of making the offer, have reasonable grounds to believe that the number of Shares that have been, or may be, issued in any of the circumstances covered by the following paragraphs will not exceed 5% of the total number of Shares:
- (1) Shares that may be issued under the offer or any other offer to be made under the Plan (to the extent offered in reliance on ASIC Class Order [CO 14/1000]);

Arafura Resources Limited

ABN 22 080 933 455

Annexure C – Summary of Performance Rights Plan

- (2) Shares issued or that may be issued as a result of offers made at any time during the previous three year period under:
 - (3) the Plan or any other Employee Incentive Scheme (as defined in ASIC Class Order [CO 14/1000]) in reliance on ASIC Class Order [CO 14/1000] or its predecessors; or
 - (4) an ASIC exempt arrangement of a similar kind to an Employee Incentive Scheme (as defined in ASIC Class Order [CO 14/1000]).
- (u) Offers of Performance Rights made or Shares issued other than in reliance on ASIC Class Order [CO 14/1000] or its predecessors (such as offers received outside of Australia or under an exception in section 708 of the Corporations Act) will not be included in calculating the 5% limit.
- (v) Subject to the Plan, the Listing Rules and all applicable laws, the Board may at any time by written instrument amend all or any of the rules of the Plan.



ARAFURA
RESOURCES LIMITED

ABN 22 080 933 455

LODGE YOUR VOTE



ONLINE

www.linkmarketservices.com.au



BY MAIL

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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
Level 12, 680 George Street, Sydney NSW 2000



ALL ENQUIRIES TO

Telephone: 1300 554 474

Overseas: +61 1300 554 474



X99999999999

PROXY FORM

I/We being a member(s) of Arafura Resources Limited and entitled to participate in and vote hereby appoint:

APPOINT A PROXY

the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman 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 Chairman 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, 21 October 2021 at BDO Australia 38 Station Street Subiaco, WA, 6008 (the Meeting)** and at any postponement or adjournment of the Meeting.

Important for Resolution 1, 3 & 4: If the Chairman 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 Chairman of the Meeting to exercise the proxy in respect of Resolution 1, 3 & 4, even though the Resolutions are connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (**KMP**).

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

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	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of Mr Quansheng Zhang as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Issue of Options to Mr Gavin Lockyer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Issue of Performance Rights to Mr Gavin Lockyer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



* 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.

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

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman 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:

- 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
- 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, 19 October 2021**, 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

www.linkmarketservices.com.au

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 www.linkmarketservices.com.au 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*
Level 12
680 George Street
Sydney NSW 2000

*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 PARTICIPATION.**