



ASX Announcement

Section 708AA(2)(f) Cleansing Notice

20 June 2019

ASX Limited
Level 40 Central Park
152-158 St George's Terrace
PERTH WA 6000

Dear Sir/Madam

Notice under section 708AA(2)(f) of the Corporations Act 2001 (Cth) as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84

This notice is given by Arafura Resources Limited (ABN 22 080 933 455) (ASX: ARU) (**Arafura**) under section 708AA(2)(f) of the *Corporations Act 2001* (Cth) (**Corporations Act**) as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84 (**ASIC Instrument**).

Arafura has today announced a fully underwritten non-renounceable pro-rata entitlement offer (**Entitlement Offer**) of 7 fully paid ordinary shares in Arafura (**New Shares**) for every 20 fully paid ordinary shares in Arafura held as at 7.00pm (AEST) on 25 June 2019 by shareholders with a registered address in Australia and New Zealand.

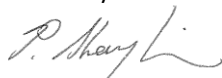
Arafura advises that:

- (a) the New Shares will be offered for issue without disclosure to investors under Part 6D.2 of the Corporations Act;
- (b) this notice is being given under section 708AA(2)(f) of the Corporations Act as modified by the ASIC Instrument;
- (c) as at the date of this notice, Arafura has complied with:
 - a. the provisions of Chapter 2M of the Corporations Act as they apply to Arafura; and
 - b. section 674 of the Corporations Act;
- (d) as at the date of this notice, there is no 'excluded information' of the type referred to in sections 708AA(8) and 708AA(9) of the Corporations Act which is required to be disclosed by Arafura under section 708AA(7)(d) of the Corporations Act;
- (e) the potential effect of the issue of New Shares on control of Arafura and the consequences of that effect, will depend on a number of factors, including investor demand and the extent to which eligible shareholders take up their entitlements under the Entitlement Offer; and

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- (f) having regard to the composition of Arafura's share register, the information contained in the substantial shareholder notices released to ASX, the terms of the underwriting arrangements in place and the Entitlement Offer, the nature of the underwriters and sub-underwriters (that Arafura is aware of), and confirmation by the Company's largest shareholder (not including JP Morgan Nominees Australia Limited which acts as a nominee or custodian for various shareholders), ECE Nolans Investment Company Pty Ltd (**ECE**), that it will not participate in the Entitlement Offer, Arafura does not believe that any person will increase their percentage shareholding in Arafura pursuant to the Entitlement Offer in a way which will have any material impact on the control of Arafura. The potential effect that the issue of the New Shares under the Entitlement Offer will have on the control of Arafura, and the consequences of that effect, are as follows:
- a. if all eligible shareholders take up their entitlements under the Entitlement Offer, there will be no significant effect on the control of Arafura;
 - b. if eligible shareholders do not take up all of their entitlements under the Entitlement Offer, the shareholding interests of those eligible shareholders will be diluted;
 - c. the proportional interests of shareholders that are not eligible shareholders will be diluted because those shareholders are not entitled to participate in the Entitlement Offer;
 - d. the voting power of ECE, which currently has voting power of approximately 14.04% in Arafura (based on the information contained in its substantial shareholder notice dated 26 April 2019) and which has confirmed that it will not participate in the Entitlement Offer, will decrease by up to approximately 3.64% (assuming that all shares proposed to be issued under Entitlement Offer are issued); and
 - e. the Entitlement Offer is fully underwritten by Patersons Securities Limited (**Patersons**). Talaxis Limited (**Talaxis**) has agreed to sub-underwrite \$7.2 million of the Entitlement Offer and various other entities have also agreed to sub-underwrite. If there are significant shortfalls in applications under the Entitlement Offer, Patersons, Talaxis and the other sub-underwriters may acquire significant numbers of New Shares, which would lead to an increase in the interests of those entities and a dilution of other holdings. It is not anticipated that any person (including Patersons and Talaxis) would acquire an interest in 20% or more of Arafura shares as a result of the satisfaction of their underwriting or sub-underwriting commitments.

Yours sincerely



Peter Sherrington
Chief Financial Officer and Company Secretary
Arafura Resources Limited

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