

ASX RELEASE

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Arafura announces a Placement of \$90 million to advance the Nolans Project at full pace to meet world demand for Rare Earths. On track for first production of Rare Earth Oxides in 2013.

The Directors of Arafura Resources Limited (**ASX: ARU**) (“Arafura” or “the Company”) are pleased to announce a share placement of 75 million shares at \$1.20 per share to raise \$90 million. There was significant support for a placement which has enabled sufficient funds to be raised to progress the Nolans Project through to the Project Financing stage and maintain the plan for first production of rare earth oxides in 2013. The company is pleased to welcome a number of new domestic and offshore institutional investors onto the register.

The placement was jointly managed by BBY Limited and Bell Potter Securities Limited.

The first tranche of 43.7 million shares will be allocated immediately, with the second tranche of 31.3 million shares subject to shareholder approval at an EGM to be held in early December 2010.

Major Shareholder East China Exploration & Development Bureau (“ECE”) will also be invited to maintain its pro-rata shareholding (22.17%) at the placement price. Any investment by ECE will require Australian and Chinese regulatory approvals as well as Arafura shareholder approval. If ECE elects and is able to maintain its current pro-rata shareholding, a further \$25.9 m would be raised.

The funds raised, together with Arafura’s existing cash reserves, will be used to fund:

- Progression of the Nolans Project to the Project Financing stage including completion of the Bankable Feasibility Study and securing all regulatory approvals.
- Completion of the technology demonstration work program
- Further resource definition drilling with the aim to significantly increase the current Nolans resource to gauge potential future production increase opportunities; and
- General working capital requirements of the company

Arafura Managing Director, Dr Steve Ward said “We have made significant progress with our Nolans Project in recent months. The new funds from this successful capital raising will enable Arafura to build on this work and fund the company’s activities right through to the Project Financing stage. It also enables us to assess production expansion potential from the Nolans resource. We can now move forward with the Nolans Project at full pace. This is another successful major event for the company and a clear vote of confidence in our Nolans Project and the company at large. Arafura welcomes our new international and domestic institutions onto the share register and looks forward to ongoing support from all shareholders”.

Nolans Project Strategic Importance

Demand for Rare Earths continues to grow fuelled by new technology and clean and efficient energy applications. Industry commentators all note that suppliers will struggle to keep pace with future demand, with shortfalls likely. Historically, China has supplied approximately 95% of the global rare earth needs. In the past few years, China has indicated its intention to reduce and regulate exports to meet its increasing domestic needs. This will further tighten global rare earth markets.

Dr Ward said “Arafura’s 100%-owned Nolans Project contains a world-class rare earths deposit capable of supporting a 20-year mine life and the Company is targeting production of 20,000 tonnes of Rare Earth Oxides (REO) per annum from 2013.” “The fact that Arafura is one of the few near-term rare earths producers outside China capable of supplying customers in markets throughout the world makes the Company attractive to all global rare earth users. We are extremely pleased to have been able to raise sufficient funds to progress our Nolans project at full pace through to project financing stage.”

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