



**AN EMERGING
RARE EARTHS
PRODUCER
FOR USERS
WORLDWIDE**

CAPITAL RAISING NON-RENOUNCEABLE RIGHTS ISSUE FOR SHARES TO EXISTING SHAREHOLDERS

Arafura Resources Limited (**ASX: ARU**) ("**Arafura**" or "**the Company**") is pleased to announce a Capital Raising by way of a Non-Renounceable Rights Issue to existing shareholders. A Prospectus for the Non-Renounceable Rights issue was lodged with the Australian Securities and Investments Commission (ASIC) and the ASX Limited (ASX) today. A copy of the Prospectus will be sent to shareholders on or before the 2nd of November 2011. Full details of the Rights Issue are set out in the Prospectus. The Rights Issue is not subject to an underwriting agreement.

A summary of the terms of the Rights Issue and the key dates for eligible shareholders is set out below.

Entitlement:

Under the Offer, shareholders have the right to acquire 1 new ordinary share (New Shares) for every 3 ordinary shares held in Arafura at the Record Date. The new shares will have an issue price of \$0.60 per share and will rank equally with existing Shares in Arafura.

The Rights Issue is non-renounceable, therefore shareholders will not be able to sell, or purchase additional rights to participate in the Rights Issue.

In addition, shareholders who subscribe for their full entitlement may have the opportunity to further increase their holding by applying for any shortfall shares under the Rights Issue. Any shortfall shares may be placed at the discretion of the Directors at no less than the issue price of \$0.60 per share within 3 months from the end of the Rights Issue.

The offer price of \$0.60 cents per share represents a 7.8% discount to the 7 day VWAP (\$0.6505) and 7.5% discount to the 3 month VWAP (\$0.6488).

Size of Issue:

Approximately 122.7 million new shares will be offered under the Rights Issue. The Rights Issue will raise approximately \$74 million before the payment of the costs of the issue.

Purpose of the Issue:

It is proposed the majority of funds raised will be used to advance the Nolans Rare Earths Project towards the Bankability Feasibility Stage (BFS).

Arafura's Managing Director and CEO, Dr Steve Ward commented, 'We have made excellent progress with our Nolans Project and are now in the period of significant expenditure and commitments as we advance the BFS. We are now seeking additional funds to maintain the momentum of our current extensive programs. The Board is pleased to offer the opportunity to our existing shareholders to participate in this capital raising.'

ARAFURA RESOURCES LIMITED

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Summary of Key Dates

Announcement of Arafura Rights Issue	18-Oct-11
Date of Lodgement of Prospectus with ASIC	18-Oct-11
Notice of Rights Issue sent to Arafura Shareholders	20-Oct-11
Rights Issue Record Date to determine Entitlements	27-Oct-11
Prospectus with Entitlement and Acceptance Form despatched to Eligible Shareholders	2-Nov-11
Acceptances Open	2-Nov-11
Closing Date for acceptances and receipt of applications under the Rights Issue	22-Nov-11
New shares are quoted for ASX trading on a deferred settlement basis	23-Nov-11
Snapshot date to determine Shares entitled to be voted at Annual General Meeting	5pm on 23 November 2011
Annual General Meeting	25-Nov-11
Shortfall notification to the ASX	25-Nov-11
Allotment of New Shares and despatch of holding statements for New Shares	25-Nov-11
Normal ASX Trading T+3 for New Shares issues under Rights Issue commences	28-Nov-11

Notes:

1. The above dates are indicative only and may change without notice.
2. Subject to the Listing Rules, the Directors reserve the right to either extend the Closing Date of the Offer (by giving at least six Business days' notice to the ASX prior to the Closing Date) at their discretion, or place or arrange to place the Shortfall Shares. An extension of the Offer will have the corresponding effect on the anticipated date of issue and normal trading of the New Shares under this Prospectus.
3. The snapshot date to determine Shares entitled to be voted at the Annual General Meeting occurs at 5pm 23 November 2011. As a result New Shares allotted on 25 November will be ineligible to be voted at the Annual General Meeting

Any questions concerning the Offer should be directed to the Company Secretary.

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For further information contact:

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NON-RENOUCEABLE RIGHTS ISSUE

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