

NOTICE

OF ANNUAL GENERAL MEETING AND EXPLANATORY MEMORANDUM TO SHAREHOLDERS

ABN 22 080 933 455

A Proxy Form is enclosed



DATE OF MEETING:
30 November 2012

TIME OF MEETING:
10am WST

PLACE OF MEETING:
Duxton Hotel
Room: Duxton 3
1 St Georges Terrace,
Perth
Western Australia

Please read the Notice and Explanatory Memorandum carefully.

If you are unable to attend the meeting please complete and return the enclosed proxy form in accordance with the specified instructions.

Arafura Resources Limited

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the 2012 Annual General Meeting of the Company will be held at Duxton Hotel Room: Duxton 3, 1 St Georges Terrace, Perth, Western Australia, on 30 November 2012 at 10 am WST.

AGENDA

Ordinary Business

An Explanatory Memorandum containing information in relation to each of the following resolutions accompanies the Notice of Annual General Meeting.

Annual Report

To receive and consider the consolidated financial statements of the Company and its controlled entities for the year ended 30 June 2012 and the reports of the Directors and auditors for the financial year ended 30 June 2012.

RESOLUTION 1: Re-election of Alex Losada-Calderon as Director

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

"That Alex Losada-Calderon, being a director of the Company who retires by rotation under rule 7.1(d) of the Company's constitution, and being eligible, is re-elected as a director of the Company."

RESOLUTION 2: Re-election of Shasha Lu as Director

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

"That Shasha Lu, being a director of the Company who retires by rotation under rule 7.1(d) of the Company's constitution, and being eligible, is re-elected as a director of the Company."

RESOLUTION 3: Election of Ian Kowalick as Director

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

"That Ian Kowalick, having been appointed as a director of the Company since the last Annual General Meeting and who retires under rule 7.1(c) of the Company's constitution and being eligible, is elected as a director of the Company"

RESOLUTION 4: Remuneration Report

The Company's board is submitting its Remuneration Report to shareholders for consideration and adoption by way of a non-binding resolution.

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

"That the Remuneration Report for the year ended 30 June 2012 be adopted."

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Contingent Business

RESOLUTION 5: Holding a Spill Meeting

Condition for Resolution 5:

This resolution is a conditional resolution, on the basis that it will be considered at the AGM ONLY IF at least 25% of the votes cast on Resolution 4 are against the adoption of the Remuneration Report. The Explanatory notes further explain the circumstances in which Resolution 5 will be put to the meeting for a vote.

If the condition (described above) is satisfied, to consider, and if thought fit, to pass the following resolution as an ordinary resolution:

“That:

- (a) A meeting of the Company’s members be held within 90 days after the date of the 2012 Annual General Meeting (the “spill meeting”); and*
- (b) Each of Ian Kowalick*, Alex Losada-Calderon*and Shasha Lu* cease to hold office as directors of the Company immediately before the end of the spill meeting; and*
- (c) Resolutions to appoint persons to offices that will be vacated immediately before the end of the spill meeting be put to the vote at the spill meeting.”*

*This assumes that the director is elected or re-elected at the AGM.

Other business

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

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EXPLANATORY MEMORANDUM

Shareholders are referred to the Explanatory Memorandum accompanying and forming part of this Notice of Meeting.

Capitalised terms which are not defined in this Notice of Meeting and Explanatory Memorandum are defined in Annexure A to the Explanatory Memorandum.

RESOLUTIONS 1 TO 4 ARE NOT INTER-DEPENDENT

Resolutions 1 to 4 are not inter-dependent. This means that a resolution can pass even if one or more of the other resolutions do not pass. Resolution 5 is a conditional resolution as explained above.

ENTITLEMENT TO VOTE

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, Company Shares will be taken to be held by the persons who are the registered holders at 5.00 pm WST on 28 November 2012. Accordingly, Company Share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

Voting Exclusions

The Company will disregard:

1. any votes cast on Resolution 1 by Mr Alex Losada-Calderon and any of his Associates;
2. any votes cast on Resolution 2 by Ms Shasha Lu and any of her Associates;
3. any votes cast on Resolution 3 by Mr Ian Kowalick and any of his Associates;
4. any votes cast on Resolution 4 in any capacity by, or on behalf of, a member of the Key Management Personnel ("KMP") and a Closely Related Party ("CRP") of such a member. However, the Company need not disregard a vote on Resolution 4 if the vote is cast as a proxy and the vote is not cast on behalf of a person who is a member of the KMP or a CRP of such a member and either:
 - (a) the person does so as a proxy appointed by writing that specifies how the proxy is to vote on Resolution 4 (that is, a directed proxy); or
 - (b) the voter is the Chair of the meeting and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on Resolution 4; and
 - (ii) expressly authorises the Chair of the meeting to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the KMP for the Company.
5. if Resolution 5 is put to a vote, any votes cast on Resolution 5 in any capacity by, or on behalf of, a member of the KMP and a CRP of such a member. However, the Company need not disregard a vote on Resolution 5 if the vote is cast as a proxy and the vote is not cast on behalf of a person who is a member of the KMP or a CRP of such a member and either:
 - (a) the person does so as a proxy appointed by writing that specifies how the proxy is to vote on Resolution 5 (that is, a directed proxy); or
 - (b) the voter is the Chair of the meeting and the appointment of the Chair as proxy:

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- (i) does not specify the way the proxy is to vote on Resolution 5; and
- (ii) expressly authorises the Chair of the meeting to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the KMP for the Company.

Voting Exclusions in Relation to Proxy Voting by Key Management Personnel or Closely Related Parties Where they hold an Undirected Proxy

Furthermore, under Section 250BD(1) of the Corporations Act, a person appointed as proxy must not vote, on the basis of that appointment, on a resolution connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, being Resolution 4 if:

- (a) the person is either a member of the KMP for the Company, or a CRP of the member of the KMP for the Company; and
- (b) the appointment does not specify the way the proxy is to vote on the resolution.

Under Section 250BD(2) of the Corporations Act the Company need not disregard a vote because of Section 250BD(1) of the Corporations Act if:

- (a) the person is the chair of the meeting acting as proxy; and
- (b) the appointment expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the KMP for the Company.

Chairman and Chairman's Voting Intentions for Undirected Proxies

It is proposed that the Chairman of the Meeting for Resolutions 1, 2 and 4 be the Chairman of the Board of Directors, Mr Ian Kowalick. It is Mr Kowalick's intention as Chairman of the meeting for Resolutions 1, 2 and 4 to vote undirected proxies which he holds as proxy in favour of Resolutions 1, 2 and 4.

It is proposed that the Chairman of the Meeting for Resolution 3 (Election of Mr Kowalick) and for Resolution 5 (Holding a Spill Meeting) if put to a vote, be the Managing Director, Mr Chris Tonkin.

It is Mr Tonkin's intention as Chairman of the meeting for Resolution 3 to vote undirected proxies which he holds as proxy in favour of Resolution 3. It is Mr Tonkin's intention as Chairman of the meeting for Resolution 5 (if put to a vote) to vote undirected proxies which he holds as proxy **AGAINST** Resolution 5.

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 30 November 2012.

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

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- 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.

A shareholder that is entitled to cast 2 or more votes may appoint 2 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.

LODGEMENT OF PROXY FORMS

To be effective, completed proxy forms must be returned by:

- Mail, to the Share Registry at PO Box 535 Applecross WA 6953 Australia or hand deliver to 770 Canning Highway Applecross WA 6153 Australia; or
- Fax, to the Share Registry on +61 (08) 9315 2233 or international +61 8 9315 2233; or
- Mail to the Company's registered office at Level 5, 16 St Georges Terrace Perth WA 6000 Australia,

so that they are received no later than 10.00am WST on 28 November 2012.

Proxy forms or proxy voting instruction received after this time will be invalid.

Where the proxy form is executed under power of attorney, the power of attorney must be lodged in like manner as the proxy.

VOTING BY CORPORATE REPRESENTATIVE

To appoint a corporate representative contact the Company's share registry and obtain an Appointment of Corporate Representative form.

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 & Assurance (WA) Pty Ltd if the questions are relevant to the content of BDO audit report or the conduct of its audit of the Company's financial report for the period ended 30 June 2012. Relevant written questions for BDO Audit & Assurance (WA) Pty Ltd must be received by mail at the registered office of the Company (PO Box 5773, St Georges Terrace, Perth WA 6831) or by facsimile, facsimile number +61 8 9221 7966 no later than the fifth business day before the date of the Meeting.

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A list of the relevant written questions together with responses 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 this 18th day of October 2012



Gavin Lockyer
Company Secretary

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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 Meeting. Please refer to **Annexure A** of this Explanatory Memorandum for definitions of capitalised terms in this Notice of Meeting and Explanatory Memorandum.

BUSINESS

The Annual Report 2012 (including the financial statements, Directors' report and Auditor's report for the financial year ended 30 June 2012) is available for review by members at www.arafuraresources.com.au and will be tabled at the Meeting. There is no formal resolution to accept the financial statements and reports, but provision will be made to members to question the Directors and the Auditor should they wish to do so.

1. Financial Report

The Corporations Act requires the following reports in respect of the year ended 30 June 2012 to be laid before the annual general meeting:

- (a) the reports of the Directors and auditors; and
- (b) the annual financial report, including the Company's financial statements.

Neither the Corporations Act nor the Company's constitution requires a vote of shareholders on the reports or statements.

The financial report for consideration at the meeting will be the full financial report. Each shareholder is sent the full financial report as part of the Annual Report.

Members 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. Members 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.

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2. Resolution 1 – Re-election of Alex Losada-Calderon as Director

Alex Losada-Calderon retires by rotation in accordance with rule 7.1(d) of the Company's constitution and the provisions of the Corporations Act and, being eligible, offers himself for re-election.

The experience, qualifications and other information about Dr. Losada-Calderon appears below:

Dr. Losada-Calderon has 25 years experience working worldwide as a geologist, project manager and country general manager for various mining and engineering companies. He has been involved in metallurgical research in government organizations; and feasibility studies and the development of major mining projects in the Caribbean, Latin America and East and South Eastern Asian Countries.

Dr. Losada-Calderon is the Managing Director of TAE Resources Pty Ltd. TAE is a private consultancy company that provides strategic advice for mining companies in the areas of mineral exploration, project acquisitions and financing, partnerships and JV's. It also provides business development, project assessment and company valuations. Until the end of July 2009, Dr. Losada-Calderon was the Vice-President of Exploration and Business Development for Southwestern Resources Corp (SWG) located in Vancouver, Canada. SWG had its major projects in Peru and China and was taken over by Hochschild Mining PLC of London in July 2009.

Dr. Losada-Calderon is a Member of The Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Company Directors. He is also a director of Australian ECE Nolans Investment Limited and AOSU Investment and Development Co. Ltd.

The Directors (excluding Dr. Losada-Calderon) recommend that the Company's shareholders vote in favour of Resolution 1.

3. Resolution 2 - Re-election of Shasha Lu as Director

Shasha Lu retires by rotation in accordance with rule 7.1(d) of the Company's constitution and the provisions of the Corporations Act and, being eligible, offers herself for re-election.

Ms. Lu is a nominee director of the East China Exploration and Development Bureau.

The experience, qualifications and other information about Ms. Lu appears below:

Ms. Lu holds a Degree in Medicine from the Tianjin University, China and also a Masters Degree and EMBA from Nanjing University, China. Ms. Lu has worked as a Postdoctoral fellow at the Karolinska Institute in Stockholm, Sweden and as a Visiting Scholar at the Geneva University during which time, she undertook some work in the World Health Organisation.

In 2008 Ms. Lu joined Eastern China Exploration & Development Bureau and became the Executive Director and CEO of Hong Kong East China Non-Ferrous Mineral Resources Co Ltd. Ms. Lu is also a director of Australian ECE Nolans Investment Limited, ECE Nolans and Globe Metals and Mining Ltd.

The Directors (excluding Ms. Lu) recommend that the Company's shareholders vote in favour of Resolution 2.

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4. Resolution 3 - Election of Ian Kowalick as Director

Ian Kowalick was appointed director since the last annual meeting. Under rule 7.1(c) of the Company's constitution, he only holds office until this meeting and therefore offers himself for election.

The experience, qualifications and other information about Mr. Kowalick appears below:

Ian Kowalick has qualifications in science, engineering, economics and finance. Ian has worked in technical and project consulting, economic and business analysis for resource companies, banking and investment. From 1995 to 2000, he held the most senior management position in the South Australian public sector.

Ian is currently a director and consultant. At present, he is a Director of NuPower Resources Limited, Chairman of Playford Capital, a councillor of the University of Adelaide and Chair of its Finance Committee, and Deputy Chair of the Adelaide Festival Centre Trust.

The Directors (excluding Mr. Kowalick) recommend that the Company's shareholders vote in favour of Resolution 3.

5. Resolution 4 – Remuneration Report

The Remuneration Report of the Company for the financial year ending 30 June 2012 is set out in the Directors' Report on pages 29 to 40 of the Company's Annual Report 2012.

The Remuneration Report sets out the Company's remuneration arrangements for the executive and non-executive Directors and executive employees of the Company.

Members attending the AGM 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 of the Company. However, whilst the resolution itself does not bind the directors of the Company, if at least 25% of the votes cast on Resolution 4 are against the resolution, then the consequences explained below will apply.

The 2012 Remuneration Report also sets out the steps which your Board has taken in response to the "first strike" for the remuneration report resolution at the 2011 AGM. These steps include: (a) significantly reducing the number of directors from nine directors to four directors; and (b) the appointment of a new Managing Director for the Company, being Mr Chris Tonkin.

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6. Resolution 5 – Holding a Spill Meeting

The Corporations Act was amended in June 2011 to introduce the “two-strikes” rule. The two strikes rule provides that if at least 25% of the votes cast on the adoption of the remuneration report at two consecutive AGM’s are against adopting the remuneration report, members will have the opportunity to vote on a “spill resolution” (as described below).

At last year’s AGM, at least 25% of the votes cast on the resolution to adopt the remuneration report were against adopting the report. This constitutes a “first strike”.

If at least 25% of the votes cast on Resolution 4 are against adopting the remuneration report at the 2012 AGM this will constitute a second strike and Resolution 5 will be put to the meeting and voted on as required by section 250V of the Corporations Act (the spill resolution).

If put, the spill resolution will be considered and voted on by members as an ordinary resolution.

If the spill resolution is passed, a further meeting of members must be held within 90 days (the “spill meeting”). Immediately before the end of the spill meeting, each of Alex Losada-Calderon*, Shasha Lu* and Ian Kowalick* being the directors (other than the Chief Executive Officer and Managing Director) who approved the last directors’ report, cease to hold office (the “Relevant Directors”).

* This assumes the director is elected or re-elected at the 2012 AGM.

Each Relevant Director is eligible to seek re-election as a director of the Company at the spill meeting.

If the spill resolution is passed, members should note that each of the Relevant Directors intends to stand for re-election at the spill meeting.

The spill resolution has the potential that the entire board (other than the Chief Executive Officer and Managing Director, Mr Chris Tonkin) is removed from office.

Under the law if Resolution 5 is passed, then the Managing Director, Mr Chris Tonkin, is not required by law to cease office at the spill meeting, nor is he required by law to be considered for election as a director at the spill meeting.

If less than 25% of the votes cast on Resolution 4 are against adopting the remuneration report at the 2012 AGM, then there will be no second strike and it is not necessary for Resolution 5 to be put to the meeting. This means that a spill meeting will not take place, meaning that Alex Losada-Calderon*, Shasha Lu* and Ian Kowalick* will not cease to hold office before the end of a spill meeting.

* This assumes the director is elected or re-elected at the 2012 AGM.

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EXPLANATORY MEMORANDUM

ANNEXURE A - DEFINITIONS

The meanings of capitalised terms used in this Notice of Meeting and Explanatory Memorandum are set out below:

ASIC means the Australian Securities and Investments Commission.

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

Board means the board of Directors.

Closely Related Parties ("CRP") of a KMP means; spouse or child of the KMP, a child of the KMP's spouse, a dependent of the KMP or KMP's spouse, anyone else who is a member of the KMP's family and may be expected to influence the KMP or be influenced by the KMP, in the KMP's dealing with the Company, a company the KMP controls or a person prescribed by the Corporations Regulations.

Company means Arafura Resources Limited ABN 22 080 933 455.

Corporations Act means the Corporations Act 2001 (Cth).

Director means a director of the Company.

Explanatory Memorandum means the explanatory memorandum to the Notice.

Key Management Personnel ("KMP") has the meaning given under the Accounting Standards, namely 'key management personnel' are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly and includes any director (whether executive or otherwise) of the Company.

Listing Rules means the listing rules of ASX.

Meeting means the Company's annual general meeting to be held on 30 November 2012 at 10am WST.

Notice means this Notice of Annual General Meeting.

Proxy Form means the proxy form attached to the Notice.

Remuneration Report means the report commencing on page 33 of the Company's Annual Report 2012.

Resolution means a resolution contained in the Notice.

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

Shareholder means a shareholder of the Company.

WST means Western Australian Standard Time.

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PROXY FORM INSTRUCTIONS

INSTRUCTIONS FOR APPOINTMENT OF PROXY

1. A shareholder entitled to attend and vote is entitled to appoint no more than two proxies to attend and vote at this Annual General Meeting as the shareholder's proxy. A proxy need not be a shareholder of the Company.
2. Where more than one proxy is appointed, each proxy may be appointed to represent a specific proportion of the shareholder's voting rights. If such appointment is not made then each proxy may exercise half of the shareholder's voting rights. Fractions shall be disregarded.
3. The proxy form must be signed personally by the shareholder or his attorney, duly authorised in writing. If a proxy is given by a corporation, the proxy must be executed under either the common seal of the corporation or under the hand of an officer of the Company or its duly authorised attorney. In the case of joint shareholders, this proxy must be signed by at least one of the joint shareholders, personally or by a duly authorised attorney.
4. 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 accompany the proxy form.
5. To be effective, forms to appoint proxies must be received by the Company's Share Registry no later than 48 hours before the time appointed for the holding of this Meeting, that is by 10 am WST on 28 November 2012 by post or facsimile to the respective addresses stipulated in this proxy form.
6. If a person present at a general meeting represents personally or by proxy, attorney or representative more than one member, on a show of hands the person is entitled to one vote only even though he or she represents more than one member.
7. A joint holder may vote at a meeting either personally or by proxy, attorney or representative as if that person was the sole holder. If more than one joint holder tenders a vote in respect of the relevant shares, the vote of the holder named first in the register who tenders a vote, whether in person or by proxy, attorney or representative, must be accepted to the exclusion of the votes of the other joint holders.
8. Unless the proxy form provides differently, the proxy has the same rights to speak, demand a poll, join in demanding a poll or act generally at the meeting as the member would have had if the member was present.
9. Unless otherwise provided in the proxy form, an appointment will be taken to confer authority:
 - (a) even though the instrument may refer to specific resolutions and may direct the proxy, attorney or representative how to vote on those resolutions, to do any of the following acts:
 - (1) to vote on any amendment moved to the proposed resolutions and on any motion that the proposed resolutions not be put or any similar motion;
 - (2) to vote on any procedural motion, including any motion to elect the chairperson, to vacate the chair or to adjourn the meeting; and
 - (3) to act generally at the meeting; and
 - (b) even though the instrument may refer to a specific meeting to be held at a specified time or venue, where the meeting is rescheduled or adjourned to another time or changed to another venue, to attend and vote at the re-scheduled or adjourned meeting or at the new venue.

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