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ASX RELEASE

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Arafura raises further funds to step-up development activities for Nolans Rare Earth-Phosphate-Uranium Project

Key points:

- **Arafura Placement and Renounceable Rights Issue raised A\$19.5 million (before costs).**
- **Funds to be used to step-up development activities at Nolans Rare Earth-Phosphate- Uranium Project in NT.**
- **Board to consider options for Placement of Rights Issue Shortfall Shares.**

Australian rare earths company Arafura Resources Limited (**ASX: ARU**) (“**Arafura**” or “**the Company**”) today announced its recent Placement and Renounceable Rights Issue had raised a total of A\$19.5 million (before costs) in additional funds to be used to step-up development activities for its Nolans Rare Earth-Phosphate-Uranium Project in the Northern Territory.

The 1 for 10 Renounceable Rights Issue offered to Arafura shareholders closed on 23 March 2010 and raised A\$2.0 million. In February, the Company announced it had completed a A\$17.5 million Placement.

Arafura Managing Director & CEO, Dr Steve Ward said the Company had structured its capital raising program to allow eligible Arafura shareholders to participate on the same terms and conditions offered to institutional shareholders and sophisticated investors in the Placement.

“We considered it was important to recognise the loyalty shown by our long-term shareholders and, yet again, a number demonstrated their support and commitment to the Company. Allotment of New Shares and holding statements for the Rights Issue and Shortfall Offer will be dispatched to shareholders on Monday 29 March 2010,” said Dr Ward.

Details on the Rights Issue and Shortfall Offer:

New Shares offered under the Rights Issue	28,743,979
New Shares issued to Eligible Shareholders	2,675,873
Shortfall Shares from the Rights Issue	26,068,106
Additional Shares issued under the Shortfall Offer	522,284
Residual Shortfall Shares	25,545,822

As foreshadowed in the Prospectus, major Arafura shareholder East China Exploration & Development Bureau (**ECE**) was unable to participate in the Rights Issue as it did not have in place the appropriate approvals (including FIRB) by the Closing Date.

Under the terms of the Rights Issue, the Directors have discretion to issue the residual Shortfall Shares within 3 months after the Closing Date for acceptances. The issue price for the residual Shortfall Shares will be an amount that is **no less than** the issue price for New Shares (\$0.62) offered under the Rights Issue. None of the residual Shortfall Shares will be placed to Arafura Directors or their Associates.

Arafura has offered to make a Placement of New Shares to ECE to allow it to maintain its 24.86% relevant interest in the Company. ECE has not indicated its intention in relation to this offer however, if it elects to accept Arafura's offer, it must do so and obtain all necessary approvals within 60 days after the Rights Issue Closing Date. Arafura shareholder approval will be required for any such issue of shares to ECE.

Dr Ward said that Arafura will use the funds raised from this Capital Raising to step-up activities to bring the Nolans Project into production in 2013 as scheduled.

Concurrent with this activity, the Board will consider if and when it takes action to make a total or part Placement for residual Shortfall Shares from the Rights Issue to raise additional funds.

"We began 2010 with a clear determination to progress the Nolans Project at full pace to enable Arafura to become an operator as soon as possible. This would enable Arafura to take advantage of favourable market conditions, with forecast future shortfalls for rare earths. The successful raising of funds to enable us to progress our plans was a key objective for us which we have now achieved. Arafura now has cash on hand to progress development of our flagship Nolans Project in line with our stated timetable. We will be judicious in assessing all options available to meet the future capital requirements to develop the project in a way that delivers maximum return to our shareholders."

ENDS

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Company Background:

Arafura is an Australian-based minerals explorer and emerging Rare Earths producer which listed on the Australian Securities Exchange in 2003. Arafura has six projects in the Northern Territory, which are at various stages of exploration and development. The Company's prime focus is on developing its world-class 100%-owned Nolans Project in Australia's Northern Territory.

Nolans has a current resource of 30.3 million tonnes. The mineralisation is hosted over an area of about 150 hectares and is exposed at surface. The resource contains 848,000 tonnes of rare earths (REO), 3.9 million tonnes of phosphate (P₂O₅) and 13.3 million pounds of uranium (U₃O₈), with ample scope to build on the resource base. Nolans has easy access to road and rail transport, and energy links, and the resource is conducive to open cut extraction with a mine life of at least 20 years.

The Company expects to conclude a Bankable Feasibility Study in 2010. Production of 20,000 tonnes of REO per annum is expected to commence in 2013 and capital costs for the project are estimated at A\$600 million.