



ABN 22 080 933 455

Dear Valued Shareholder,

We are delighted to introduce you to the Prospectus for Arafura's 1 for 10 Renounceable Rights Issue and to thank you for your support of the company. Some of you have been shareholders since Arafura floated in 2003. Arafura's eight years as an ASX Listed Company is a reflection of both the complexity and the time required to develop large Rare Earth Projects.

The eight years has passed quickly and the company has made good progress. The Nolans deposit has emerged as one of the few world class Rare Earth Deposits available globally. Our technologists have developed an efficient chemical process to enable the Nolans ore to be processed into value creating products; Rare Earths, Phosphoric Acid and Uranium Oxide. A prefeasibility study for the Nolans Project has been completed. This demonstrated the prospect of excellent returns to shareholders.

Arafura is now at a critical and exciting phase in the company's history. We focussed on value creating activities in 2009 when funds were scarce, and we are now ready to move ahead at full pace to complete our Nolans Project Bankable Feasibility study at the end of 2010. Once completed, we will seek to raise project financing for mining and a processing plant with production planned for 2013.

The Nolans deposit provides an excellent opportunity for Arafura to be a highly successful company by becoming the pre-eminent supplier of Rare Earths to end users worldwide. Demand for Rare Earths continues to increase significantly. Consumer appetite for high technology products such as plasma screens and iPods and moves to clean and efficient energy usage, such as hybrid cars and high efficiency light globes, are all fuelling demand. The outlook is very bullish with industry commentators forecasting that, even with new projects coming on stream, suppliers will struggle to meet demand.

Our work programs for 2010 cater for completion of the Bankable Feasibility Study and a separate drilling program aimed to establish the full extent of the Nolans deposit which is still open at depth and some parts of strike. We already have sufficient ore, confirmed to JORC Resource standard, to support production of Rare Earths at 20,000 tonnes per annum for 20 years. This is sufficient for the Bankable Feasibility Study, but defining a larger Nolans deposit will enable us to develop additional value adding opportunities in the future.

Arafura now requires further funding to progress these exciting work programs. We will shortly complete a placement of shares to Institutional and sophisticated Investors, which will raise A\$ 17.5M. We are pleased to offer eligible shareholders the opportunity to participate in a 1 for 10 Renounceable Rights Issue at the same share price as our placement i.e. A\$ 0.62c per share. The details of the Renounceable Rights Issue are explained in full in this prospectus. We look forward to your ongoing support for Arafura.

Yours sincerely,

Ian Laurance AM
Chairman

Dr Steve Ward
Managing Director & CEO

Arafura Resources Limited

ABN 22 080 933 455

Prospectus

For a pro-rata renounceable rights issue by Arafura Resources Limited (“Arafura”) to Eligible Shareholders, of 1 New Share for every 10 Shares held at an issue price of \$0.62 per New Share.

The Rights Issue closes at 5.00pm Perth time on 23 March 2010 (or such later date as the Directors, in their absolute discretion and subject to compliance with the Listing Rules, may determine).

An investment in the securities offered by this Prospectus should be considered as speculative.

This Prospectus is not for general circulation or distribution, and has or will be issued, circulated and/or distributed only to Eligible Shareholders. The offer to participate in the Rights Issue is made personally to Eligible Shareholders to whom the Prospectus has been issued, distributed or circulated. The offer to participate in the Rights Issue is not made to any other persons and is not to be accepted by any other persons and the New Shares on offer may not be subscribed for by any other person.

This document is important and requires your immediate attention. It should be read in its entirety. If you do not understand its contents, or are in doubt as to the course that you should follow, you should consult your stockbroker or professional adviser.

Important information

Important notice

You should read this entire Prospectus carefully. It is important that you consider the risk factors (see Section 3) that could affect Arafura's financial performance, before deciding on your course of action.

This Prospectus is dated 23 February 2010. A copy of this Prospectus was lodged with the ASIC on 23 February 2010. This Prospectus expires on the Expiry Date of 22 March 2011 and no New Shares will be allotted or issued, on the basis of this Prospectus, after this time.

Arafura will apply to the ASX for the New Shares to be quoted on the ASX within 7 days after the date of this Prospectus.

Applications for New Shares and Additional Shares offered pursuant to this Prospectus can only be submitted on an original Entitlement and Acceptance Form which accompanies this Prospectus. The Entitlement and Acceptance Form sets out a shareholders' Entitlement to participate in the Offer and the Shortfall Offer. Eligible Shareholders who do not take up their Entitlement will have their existing interest in Arafura diluted. Please refer to Section 1 for details of how to accept the Offer.

Arafura has not authorised any person to give information, or to make any representation, in connection with this Prospectus which is not contained in the Prospectus or inconsistent with it. Any information or representation not so contained, or inconsistent with the information in this Prospectus, may not be relied on as having been authorised by Arafura in connection with this Prospectus.

Some words in this Prospectus have defined meanings. The definitions appear in Section 7 at the end of this Prospectus. References to dollars are to Australian dollars unless otherwise indicated.

This Prospectus contains an offer to Eligible Shareholders in Australia or in New Zealand of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. In making representations in this Prospectus regard has been had to the fact that Arafura is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult. Please refer to Section 1 for further information concerning the nature of this Prospectus.

Neither the ASIC nor the ASX take any responsibility for the contents of this Prospectus, or the merits of the investment to which this Prospectus relates.

Foreign Shareholders and Foreign jurisdictions

The New Shares are offered to Eligible Shareholders only.

The New Shares are not offered to Ineligible Foreign Shareholders. Ineligible Foreign Shareholders will not be sent this Prospectus.

The New Shares being offered under this Prospectus are being offered to Eligible Shareholders with registered addresses in New Zealand in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2002* (New Zealand).

No member of the public in New Zealand may accept the offer made under this Prospectus except in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2002* (New Zealand). This Prospectus is not an investment statement or prospectus under New Zealand law and has not been registered, filed with or approved by any New Zealand regulatory authority or under any relevant law in New Zealand. This Prospectus may not contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

This Prospectus does not constitute an offer in any place where it would not be lawful to make such an offer, nor does it constitute an offer to any person to whom it would not be lawful to make such an offer.

Future performance

Except as required by law, and only then to the extent required, neither Arafura nor any other person, guarantees the future performance of Arafura or any return on any investment made pursuant to this Prospectus. Any investment in the New Shares should be considered speculative.

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Summary of Important Dates

Table 1: Rights Issue Key Dates

Announcement of Arafura Rights Issue	23 February 2010
Date of Lodgement of Prospectus with ASIC	23 February 2010
Notice of Rights Issue sent to Arafura Shareholders	25 February 2010
Shares quoted ex-Rights and Rights trading commences on the ASX	26 February 2010
Rights Issue Record Date to determine Entitlements	4 March 2010
Prospectus with Entitlement and Acceptance Form despatched to Eligible Shareholders	9 March 2010
Acceptances Open	9 March 2010
Last day of Rights trading	16 March 2010
New Shares are quoted for ASX trading on a deferred settlement basis	17 March 2010
Closing Date for acceptances	23 March 2010
Arafura notifies ASX of under subscriptions	26 March 2010
Allotment of New Shares and despatch of holding statements for New Shares	29 March 2010
Normal ASX Trading T+3 for New Shares commences	30 March 2010
Settlement of ASX trades of New Shares conducted on a deferred settlement basis, and the first settlement of ASX trades of New Shares conducted on normal T+3 basis	6 April 2010

The above dates are indicative only and may change without notice.

Definitions

Throughout this Prospectus, various words and phrases have been capitalised and defined, rather than used in full on each occasion. The definitions of these capitalised words are set out in Section 7.

1 Details of the Offer

1.1 Offer of New Shares

This Prospectus invites Eligible Shareholders to participate in a pro-rata renounceable Rights Issue on the basis of 1 New Share for every 10 Shares held on the Record Date, at an issue price of \$0.62 per New Share.

The number of New Shares which are issued will vary depending on the number of Vested Options that are exercised prior to the Record Date. If no Vested Options are exercised prior to the Record Date then approximately 28,743,979 million New Shares will be offered under the Rights Issue. If all of the Vested Options are exercised prior to the Record Date then approximately 29,849,978 million New Shares will be offered under the Rights Issue.

If no Vested Options are exercised prior to the Record Date and all of the Eligible Shareholders take up their Entitlement in full the Rights Issue will raise approximately \$17.8 million, before costs. If all of the Vested Options are exercised prior to the Record Date and all of the Eligible Shareholders take up their Entitlement in full the Rights Issue will raise approximately \$18.507 million, before costs.

The Rights Issue will open for receipt of acceptances at 9.00am Perth time on 9 March 2010 and will close at 5.00pm Perth time on 23 March 2010, or such later date as the Directors, in their absolute discretion and subject to compliance with the Listing Rules may determine. **You should allow sufficient time to ensure that your Entitlement and Acceptance Form reaches the Share Registry by the specified time.**

Holders of existing Options will not be entitled to participate in the Rights Issue unless they hold Vested Options and they exercise those Vested Options and are issued Shares prior to the Record Date. Holders of Vested Options are advised to exercise their Vested Options as soon as possible if they want to participate in the Rights Issue and in any event at least 3 clear Business Days before the Record Date. Holders of Options which are not vested are not able to exercise those Options.

Your Entitlement is shown in the accompanying Entitlement and Acceptance Form. In the calculation of any Entitlement, fractions will be rounded up to the nearest whole number and for this purpose, holdings in the same name will be aggregated for calculation of Entitlements.

The Rights Issue is being made on a renounceable basis, meaning that Entitlements can be transferred or sold.

1.2 Rights Issue is not Underwritten

The Rights Issue is not underwritten.

1.3 Use of funds

If none of the Vested Options are exercised before the Record Date and all of the Eligible Shareholders take up their Entitlement in full, Arafura will raise approximately \$17.8 million under the Rights Issue.

It is intended that the gross proceeds of the Rights Issue will be applied as set out below for the 2010 calendar year:

<i>Use of funds</i>	<i>A\$million</i>
<i>Nolans Resource Definition Drilling</i>	4.0
<i>Environmental Impact Studies</i>	2.9
<i>Nolans BFS expenditure</i>	5.6
<i>Administration on Arafura's existing tenements</i>	2.3
<i>Costs of the issue</i>	0.2
<i>Corporate and working capital</i>	2.8
<i>TOTAL</i>	17.8

If some or all of the Vested Options are exercised before the Record Date and all of the Eligible Shareholders take up their Entitlement in full then Arafura will raise more than \$17.8 million under the Rights Issue. Each additional dollar raised above \$17.8 million will be used by Arafura for the Nolans BFS expenditure.

The Offer is not underwritten. If all of the Eligible Shareholders do not take up their Entitlement in full and it is not possible to place all of the shortfall then Arafura may raise less than \$17.8 million under the Rights Issue. In this case, it is intended that the gross proceeds of the Rights Issue will be applied as set out below for the 2010 calendar year:

Use of funds	A\$million
Costs of the issue	The first \$0.2m
<i>For each and every dollar above total gross funds raised of \$0.2 m up to total gross funds raised of \$4.2 m, the following:</i>	
Nolans Resource Definition Drilling ^(#1)	^(#1) The next \$4.0m
<i>For each and every dollar above total gross funds raised of \$4.2m, to total gross funds raised of \$7.1 m the following:</i>	
Environmental Impact studies ^(#1)	^(#1) The next \$2.9m
<i>For each and every dollar above total gross funds raised of \$7.1m, to total gross funds raised of \$12.7m, the following:</i>	
Nolans BFS expenditure ^(#1)	^(#1) The next \$5.6m
<i>For each and every dollar above total gross funds raised of \$12.7m, to total gross funds raised of \$15.0 m the following:</i>	
Administration on Arafura's existing tenements ^(#1)	^(#1) The next \$2.3m
<i>For each and every dollar above total gross funds raised of \$15.0m, to a maximum of \$17.8m, the following:</i>	
Corporate and working capital ^(#1)	^(#1) Each additional dollar, up to a maximum of \$2.8m

Note #1: Arafura's expenditure on this item can be reduced if less than the full amount for that item in the table above is raised under the Offer.

Arafura does **not** seek to raise a minimum amount under the Rights Issue. In the event that insufficient funds are raised to meet the expenses of the Rights Issue and/or carry out the administration and corporate activities, the Company is able to use its existing working capital to cover these costs.

It is intended that Arafura's existing cash (as at the date of this Prospectus) and the gross proceeds of the Placement to be completed on or about 24 February 2010 will be applied as set out below for the 2010 calendar year:

<i>Use of funds</i>	<i>Funds raised from Placement to be completed on or about 24 February 2010</i> <i>A\$million</i>	<i>Cash on hand as at Date of Prospectus</i> <i>A\$million</i>
<i>Cash</i>	17.5	29.7
<i>Resource Definition Drilling</i>	(4.2)	(9.0)
<i>Administration on Arafura's existing tenements</i>	-	-
<i>Environmental Impact Studies</i>	(2.8)	(4.5)
<i>Nolans BFS expenditure</i>	(7.4)	(10.4)
<i>Corporate and working capital</i>	(3.1)	(5.8)
TOTAL	(17.5)	(29.7)

1.4 Opening Date and Closing Date

The Rights Issue will open on 9 March 2010 (“**Opening Date**”) and close at 5.00pm Perth time on 23 March 2010 (or such later date as the Directors, in their absolute discretion and subject to compliance with the Listing Rules, may determine) (“**Closing Date**”).

Completed Entitlement and Acceptance Forms must be received at Arafura’s Share Registry by the Closing Date, together with payment, in Australian dollars, for the amount of the application.

1.5 Rights Trading and ASX Listing

The Rights are renounceable. This enables Eligible Shareholders who do not wish to subscribe for some or all of their New Shares issued pursuant to the Rights Issue to sell those Rights.

Trading of Rights will commence on the ASX on 26 February 2010 and will cease at the close of trading on 16 March 2010. Rights to which an Eligible Shareholder is entitled may be sold on the ASX between these dates should the Eligible Shareholder choose not to accept their full entitlement of New Shares.

Within seven days after the date of this Prospectus, the Company will apply to the ASX for the New Shares to be quoted on the Official List of the ASX.

1.6 How to take up your Entitlement

Under the Rights Issue, you may apply for 100% of your Entitlement or more than 100% of your Entitlement in accordance with Section 1.7 of the Prospectus.

Alternatively, you may apply for a portion less than your Entitlement, by using the personalised Entitlement and Acceptance Form mailed to you with this Prospectus. This form details your Entitlement and should be completed in accordance with the instructions set out on its reverse side.

It is important that Eligible Shareholders understand that if they do not take up their Entitlement they will have their existing interest in Arafura diluted.

1.7 Additional Shares

Any part of your Entitlement under the Rights Issue not taken up will form part of the Shortfall.

The offer of Additional Shares is a separate offer pursuant to this Prospectus. The issue price of any Additional Shares shall be \$0.62, being the price at which the Rights Issue has been offered to Eligible Shareholders pursuant to this Prospectus.

If you wish to take up your Entitlement under the Rights Issue in full and apply for Additional Shares, you should complete the accompanying Entitlement Acceptance Form indicating how many Additional Shares you wish to apply for and return it, together with payment for the full amount payable, so that it is received by no later than the Closing Date.

The Directors reserve the right to allot and issue the Additional Shares at the discretion of the Directors.

The Directors have the right to allot all of the Shortfall and accordingly there is no guarantee that applications for Additional Shares will be successful either in whole

or in part. Under the Shortfall Offer, the Directors may allot applicants a lesser number of Additional Shares than the number for which the applicant applies or reject an application.

To ensure that the allotment of the Shortfall is not included in Arafura's 15% cap on the issue of new capital:

- (a) Arafura will make the allotment within 3 months after the close of the offer under the Rights Issue; and
- (b) the issue price will not be less than the price at which shares were offered under the Rights Issue.

In the event that all of the Shortfall cannot be placed to existing shareholders, the Directors reserve the right to allot and issue the outstanding balance to new shareholders in accordance with the Corporations Act.

No interest will be paid by the Company for refunds on unsuccessful applications.

It may be impracticable for ECE Nolans to obtain Shareholder approval in time for it to participate in the Shortfall Facility.

Whilst ECE Nolans will not be entitled to participate in the Shortfall Facility (because the Shortfall Facility is not a pro-rata issue within the terms of Exception 10 in Section 611 of the Corporations Act) ECE Nolans will be able to take up Additional Shares if Arafura obtains shareholder approval and ECE complies with all other requirements.

Because ECE Nolans may not be able to obtain the necessary approvals in time to take up all or part of its entitlement under the Rights Issue by the Closing Date, Arafura has offered to make a placement of Arafura shares to ECE Nolans of such number of Arafura shares as are necessary for ECE Nolans to maintain its 24.86% relevant interest in voting shares of Arafura. If ECE Nolans wishes to accept this offer it must do so and obtain all necessary approvals within 60 days after the Closing Date under the Rights Issue. Arafura shareholder approval under Section 611 of the Corporations Act will be required for any such issue of shares to ECE Nolans.

1.8 Issue and Allotment of New Shares

The New Shares and Additional Shares will be issued fully paid and, from the date of issue, will rank equally in all respects with Shares. Details of the rights attaching to ordinary shares in Arafura are set out in Section 4.1.

By returning your Entitlement and Acceptance Form, you agree to comply with the Arafura Constitution in respect of the New Shares and Additional Shares issued to you. Details of the rights attached to Shares are set out in Section 4.

Until issue and allotment of the New Shares and Additional Shares, the Application Monies will be held on trust in a separate bank account opened and maintained for that purpose only. Any interest earned on the Application Monies will be for the benefit of Arafura and will be retained by it irrespective of whether allotment of the New Shares or any Additional takes place. No allotment of New Shares or Additional Shares will take place until the proceeds of the Rights Issue have been received and ASX grants permission to quote the New Shares or Additional Shares (as appropriate).

1.9 ASX Quotation

Arafura will make application to the ASX within 7 days following the date of this Prospectus for the official quotation of the New Shares.

Quotation, if granted, of the New Shares will commence as soon as practicable after statements of holdings for the New Shares are dispatched.

If approval for official quotation is not granted by ASX within 3 months after the date of this Prospectus, Arafura will not allot or issue any New Shares and will repay all Application Monies (where applicable) within the time prescribed under the Corporations Act, without interest.

That the New Shares have been admitted to quotation on ASX is not to be taken in any way as an indication of the merits of Arafura or the New Shares.

1.10 Foreign Shareholders

The New Shares are offered to Eligible Shareholders only.

The New Shares are not offered to Ineligible Foreign Shareholders. Ineligible Foreign Shareholders will not be sent this Prospectus.

Arafura has appointed Bell Potter Securities Limited, on normal commercial terms, as nominee for Ineligible Foreign Shareholders to arrange for the sale of the Rights which would have been offered to the Ineligible Foreign Shareholders. Arafura will transfer the Rights of Ineligible Foreign Shareholders to the nominee who will account to the Ineligible Foreign Shareholders for the net proceeds of sale of the Rights (if any). The nominee will have the absolute and sole discretion to determine the timing and the price at which Rights may be sold and the manner of any such sale. Neither Arafura nor the nominee will be subject to any liability for failure to sell the Rights or for selling them at a particular price.

If in the reasonable opinion of the nominee there is not a viable market for the Rights, or a surplus over expenses of sale cannot be obtained for the Rights that would have been offered to the Ineligible Foreign Shareholders, then the Rights will be allowed to lapse and they will form part of the shortfall.

1.11 Risks associated with not accepting your Entitlement

It is important that Eligible Shareholders understand the risks associated with not accepting their Entitlement.

If you elect not to accept your Entitlement in full under this Prospectus, your Shareholding in Arafura will be diluted. Please carefully consider whether to accept your Entitlement and, if you are in doubt as to whether to accept, you should consult your independent professional investment adviser.

1.12 Market prices of Arafura Shares on ASX

A summary of the sale prices of Arafura Shares on ASX during the last 3 months until the last trading day on ASX immediately prior to lodgement of this Prospectus with ASIC is set out below:

Table 2: Arafura Share Price History

	High (\$)	Low (\$)	Volume weighted average price (\$)
One month	0.920	0.635	0.758
Three months	1.045	0.635	0.822

The last market sale price of Shares on 19 February 2010 (which was last day of trading before the announcement of the Rights Issue and lodgement of the Prospectus with ASIC) was \$0.635.

1.13 No brokerage and stamp duty payable on subscription under Entitlement

No brokerage or stamp duty will be payable by you in respect of a subscription for New Shares under your Entitlement.

1.14 Tax implications

Arafura makes no representation and provides no advice in relation to the tax consequences for any Shareholder of taking up their Entitlement under the Offer. Shareholders should seek professional taxation advice about the tax consequences of taking up the Entitlement.

1.15 CHESS

Arafura will not be issuing share certificates. Arafura will apply to the ASX to participate in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by Arafura. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that Arafura will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of New Shares and Additional Shares (where relevant) allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number (**HIN**) or Shareholder Reference Number (**SRN**) and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in Arafura during the preceding month.

1.16 Arafura's regular reporting and disclosure requirements

This Prospectus is issued pursuant to Section 713 of the *Corporations Act 2001* (Cth) as a prospectus for the offer of continuously quoted securities.

Arafura is a "disclosing entity" for the purposes of Part 1.2A of the Corporations Act. As a disclosing entity, Arafura is subject to regular reporting and disclosure obligations. Broadly, these obligations require:

- the preparation of both yearly and half yearly financial statements, a report on the operations of Arafura during the relevant accounting period together with an audit or review report by Arafura's auditor;
- any half year financial report lodged with ASIC by Arafura after lodgement of the above financial report and before the lodgement of the copy of the Prospectus with ASIC; and
- immediate notification to the ASX of any information concerning Arafura which it becomes aware of and which a reasonable person would expect to have a material effect on the price or value of the Shares, subject to certain exceptions.

Copies of documents lodged with ASIC in relation to Arafura may be obtained from, or inspected at, any office of ASIC.

Normally a prospectus for the issue of securities of a company must contain all the information that investors and their professional advisers would reasonably require to make an informed assessment of each of the following:

- the assets and liabilities, financial position and performance, profits and losses and prospects of the company that is to issue the securities; and
- the rights and liabilities attaching to the securities offered.

However, in reliance upon section 713 of the Corporations Act, this Prospectus does not comply with this general disclosure test. Under section 713, the disclosure test applicable to any company offering securities, or options to acquire securities, in a class of securities that has been quoted on the ASX at all times in the 12 months before the date of the prospectus is a lower level of disclosure.

The lower level of disclosure, which applies to this Prospectus, is that the Prospectus must contain all the information investors and their professional advisers would reasonably require to make an informed assessment of:

- the effect of the offer on the Company; and
- the rights and liabilities attaching to the securities offered.

While the Company is not required under section 713 to do so, it has included certain information for the benefit of investors in this Prospectus which addresses some, but not all, aspects of the general disclosure test. Some of the information in this Prospectus has previously been notified by the Company to the ASX.

The ASX maintains detailed records of company announcements for all companies listed on the ASX. Copies of announcements made by the Company may be obtained from the ASX.

ASIC also maintains records in respect of documents lodged with it by the Company. Copies of documents lodged with ASIC may be obtained from or inspected at an ASIC office.

Arafura will provide a copy of each of the following documents, free of charge, to any person who asks for it during the period from the date of this Prospectus until the Closing Date:

- annual audited financial report for the year ended 30 June 2009 (being Arafura's most recent annual report lodged with ASIC before the date of this Prospectus); and
- any continuous disclosure notices given by Arafura after the lodgement of the annual financial report referred to above and before the lodgement of the copy of this Prospectus with ASIC.

Table 3: Continuous Disclosure Notices

Date	Headline
15 September 2009	Full Year Statutory Accounts
17 September 2009	Managing Directors EGM presentation
17 September 2009	Results of EGM
17 September 2009	Shareholders endorse \$23m Chinese investment partner
17 September 2009	Appendix 3Z
21 September 2009	BBY Investor Presentation
25 September 2009	Completion of 2 nd share placement to ECE Nolans
25 September 2009	S708A Secondary Trading Notice
25 September 2009	Appendix 3B
25 September 2009	Appointment of non-executive director
25 September 2009	Initial Director's Interest Notice
25 September 2009	Change in substantial holding
7 October 2009	Managing Director Search Update
23 October 2009	Notice of Annual General Meeting / Proxy Form
27 October 2009	Annual Operations Report 2009

28 October 2009	Mining 2009 Presentation
29 October 2009	Quarterly Cashflow and Activities Report September 2009
18 November 2009	Hong Kong Rare Earth Conference Presentation
25 November 2009	Results of Meeting
16 December 2009	Dr Steve Ward appointed Managing Director
6 January 2010	Open Briefing –CEO Priorities and Vision 2010
12 January 2010	Investor Presentation January 2010
15 January 2010	Response to ASX Query
29 January 2010	December 2009 Activities and Cash Flow report
1 February 2010	BBY Rare Earth Conference February 2010
15 February 2010	Trading Halt
17 February 2010	New Capital Raising
19 February 2010	Capital Raising Update
22 February 2010	Jervois Letter of Intent lapses

All requests for copies of the above documents should be addressed to the Company Secretary. The above information may also be obtained from Arafura's website at www.arafuraresources.com.au.

2 Effect of the Rights Issue on Arafura

2.1 Principal effect of Rights Issue

If no Vested Options are exercised prior to the Record Date and if all of the Eligible Shareholders take up their Entitlement in full, then the principal effect of the Rights Issue on Arafura will be that:

- (a) cash reserves and contributed equity of Arafura will increase by approximately \$17.8 million before deducting the expenses of the Rights Issue; and
- (b) the number of Arafura Shares on issue will increase by 28,743,979 from 287,439,785 to 316,183,764.

If 100% of the Vested Options are exercised prior to the Record Date and all Entitlements are taken up, then the principal effect of the Rights Issue on Arafura will be that:

- (c) cash raised would be approximately \$13,555,000 from the exercise of the Vested Options and up to approximately \$18.5 million from the Rights Issue before deducting the expenses of the Rights Issue; and
- (d) the number of Arafura Shares on issue will increase by 40,909,978 (29,849,978 plus 11,060,000) from 287,439,785 to 328,349,764.

	No Vested Options Exercised	All Vested Options Exercised
Existing Shares	259,213,979	259,213,979
Placement Feb 2010	28,225,806	28,225,806

Options Exercised	287,439,785 0	287,439,785 11,060,000
Total	287,439,785	298,499,785
Rights Issue	28,743,979	29,849,978
Total	316,183,764	328,349,764

2.2 Impact on capital structure

(a) Undiluted

At the date of this Prospectus, Arafura has 259,213,979 shares on issue.

Following completion of the placement of 28,225,806 shares on or about 24 February 2010, Arafura will have 287,439,785 Shares on issue.

Assuming no Vested Options are exercised prior to the Record Date and no Shares are issued prior to the Record Date, then if all of the Eligible Shareholders take up their entitlement in full the New Shares issued pursuant to this Prospectus will be 28,743,979 or approximately 9.09% of the expanded issued capital, and the total Shares on issue after the Rights Issue will be 316,183,764.

(b) Diluted

Arafura has 11,060,000 Vested Options on issue which have not been exercised at the date of this Prospectus, together with 4,425,000 Options which have not vested and therefore are not able to be exercised. The details of Options on issue are:

Table 4: Options on Issue

<i>Amount</i>	<i>Vested / Not Vested</i>	<i>Expiry</i>	<i>Exercise Price</i>
500,000	Vested	30/06/2010	\$0.75
820,000	Vested	30/06/2011	\$1.72
100,000	Vested	30/06/2011	\$1.60
300,000	Vested	30/06/2011	\$1.31
200,000	Vested	30/06/2011	\$1.70
9,140,000	Vested	31/12/2012	\$1.19
	Total Vested 11,060,000		
4,425,000	Not Vested	30/12/2013	\$0.85
	Total Not Vested 4,425,000		

As noted in Section 1, only holders of Vested Options who have exercised their Options and been issued Shares prior to the Record Date are entitled to participate in the Rights Issue.

If 100% of the Vested Options are exercised prior to the Record Date, the number of fully paid ordinary Shares on issue will increase by 11,060,000 from

287,439,785 to 298,499,785 before the Rights Issue. If all Entitlements are taken up, the number of fully paid ordinary Shares on issue will increase by 29,849,979 from 298,499,785 to 328,349,764 after the Rights Issue.

The pro-forma capital structure of Arafura following the Rights Issue on both an undiluted, and fully diluted basis for the 11,060,000 Vested Options, is set out below:

Table 5: Issued Capital Post Rights Issue

Issued Capital	Undiluted	100% Diluted (11,060,000 Vested Options Only)
Existing Shares	259,213,979	270,273,979
Completion of placement on or about 24 February 2010	28,225,806	28,225,806
New shares issued pursuant to Rights Issue	28,743,979	29,849,978
Total Shares on Issue following the placement and the Rights Issue	316,183,764	328,349,763
Vested Options on issue	11,060,000	-
Unvested Options on issue	4,425,000	4,425,000

2.3 Impact on Control

As at the date of this Prospectus, the relevant interest of ECE Nolans, a wholly owned subsidiary of the East China Exploration & Development Bureau, in the voting shares of the Company is 24.86%. Following completion of the placement of 28,225,806 shares on or about 24 February 2010 the relevant interest of ECE Nolans in the voting shares of the Company will be 22.42%. Arafura has offered ECE Nolans the opportunity to maintain its 24.86% shareholding after the completion of the placement, Rights Issue and the Shortfall Offer. The issue of any such new shares, if requested by ECE, will be subject to regulatory and shareholder approvals.

As at the date of this Prospectus, ECE Nolans has not informed Arafura as to whether or not it will take up any or all of its entitlement under the Rights Issue.

ECE Nolans, being a wholly owned subsidiary of an entity domiciled in the People's Republic of China, may only take up its entitlement under the Rights Issue if it obtains all necessary approvals, including approval from the *Australian Foreign Investment Review Board* (FIRB) and the relevant authorities in the People's Republic of China.

Assuming there are no vested options are exercised prior to the record date possible scenarios are:

- (a) If ECE Nolans obtains the approvals referred to above and takes up all of its entitlement under the Rights Issue and the remaining Arafura shareholders take up all of their Entitlements (or any shortfall is wholly taken up under the Shortfall Facility or otherwise placed), ECE Nolans will maintain a relevant interest in voting shares of Arafura of 22.42%

- (b) Subject to ECE Nolans obtaining the approvals referred to above, if ECE Nolans takes up all of its entitlement under the Rights Issue, no other Arafura Shareholder takes up its entitlement and none of the Shortfall is placed, its relevant interest in voting shares of Arafura would increase to 24.12%.
- (c) If ECE Nolans does not take up any of its entitlement under the Rights Issue but all other Arafura shareholders take up all of their rights (or any shortfall is wholly taken up under the Shortfall Facility or otherwise placed), its relevant interest in voting shares of Arafura will dilute to 20.38%.

Arafura has offered to make a placement of Arafura shares to ECE Nolans of such number of Arafura shares as are necessary for ECE Nolans to maintain its 24.86% relevant interest in voting shares of Arafura. Arafura shareholder approval under Section 611 of the Corporations Act will be required for any such issue of shares to ECE Nolans.

Further information about the impact on control is set out in Section 1.7.

2.4 Pro-forma Statement of Arafura Financial Position

A pro-forma Statement of Financial Position has been prepared on the basis that there have been no material movements in assets and liabilities of Arafura between 31 December 2009 and the completion of the Rights Issue and assuming no exercise of Options from the date of this Prospectus up to the Record Date, except:

- (a) the placement of 28,225,806 shares at \$0.62 each raises approximately \$17.5 million; and
- (b) estimated expenses of the placement of approximately \$0.86m to be offset against contributed equity; and
- (c) the Rights Issue of 28,743,979 New Shares at \$0.62 each raises approximately \$17.8 million; and
- (d) estimated expenses of the Rights Issue of approximately \$0.25m to be offset against contributed equity.

Table 6: Consolidated Statement of Financial Position (unaudited)

	Unaudited 31 December 2009 (\$)	Unaudited Pro-forma 31 December 2009 post placement (\$)	Unaudited Pro-forma 31 December 2009 post rights issue (\$)
Current assets			
Cash and cash equivalents	13,055,663	29,689,413	47,260,679
Trade and other receivables	88,162	88,162	88,162
Prepayments	28,473	28,473	28,473
Total current assets	13,172,298	29,806,048	47,377,314
Non-current assets			
Available-for-sale financial assets	1,955,044	1,955,044	1,955,044
Property, plant and equipment	568,575	568,575	568,575
Deferred exploration and evaluation costs	32,241,863	32,241,863	32,241,863
Total non-current assets	34,765,482	34,765,482	34,765,482
Total assets	47,937,780	64,571,530	82,142,796
Current liabilities			
Borrowings	18,527	18,527	18,527
Trade and other payables	1,647,212	1,647,212	1,647,212
Total current liabilities	1,665,739	1,665,739	1,665,739
Non-current liabilities			
Interest bearing liabilities	28,827	28,827	28,827
Total non-current liabilities	28,827	28,827	28,827
Total liabilities	1,694,566	1,694,566	1,694,566
Net assets	46,243,214	62,876,964	80,448,230
Equity			
Contributed equity	70,178,785	86,812,535	104,383,801
Reserves	7,854,529	7,854,529	7,854,529
Accumulated profit (losses)	(31,790,100)	(31,790,100)	(31,790,100)
Total equity	46,243,214	62,876,964	80,448,230

Notes to pro-forma balance sheet:

- (a) Assumes estimated costs of the Rights Issue of \$0.25m.
- (b) Assumes no Options (including the 11,060,000 Vested Options) are exercised from the date of this Prospectus up to the Record Date.

(c) Current assets – Cash and cash equivalents:

	Unaudited 31 December 2009 (\$)	Unaudited Pro-forma 31 December 2009 Post Placement (\$)	Unaudited Pro-forma 31 December 2009 Post Rights Issue (\$)
Cash and cash equivalent	13,055,663	29,689,413	47,260,679
Proforma adjustments			
Opening Balance			13,055,663
Placement			17,500,000
Payments for Placement			(866,250)
Proceeds from the Rights Issue			17,821,267
Payments for Rights Issue			(250,000)
			47,260,679

(d) Contributed equity:

	Unaudited 31 December 2009	Unaudited Pro-forma 31 December 2009 Post Placement	Unaudited Pro-forma 31 December 2009 Post Rights Issue
Fully paid ordinary shares	259,213,979	287,439,785	316,183,764

Movements in ordinary share capital

Date	Details	Number shares	of Issue Price \$	AS
30 June 2009	Balance	223,113,979		55,764,899
23 September 2009	ECE Nolans Tranche 2	36,100,00	0.40	14,440,000
	Capital Raising Costs			(26,114)
31 December 2009	Balance	259,213,979		70,178,785
24 February 2010	Placement	28,225,806	0.62	17,500,000
	Capital raising costs			(866,250)
24 February 2010	Balance	287,439,785		86,812,535

Pro-forma adjustments for Rights Issue:

				AS
1 April 2010	Issue of shares pursuant to Prospectus	28,743,979	0.62	17,821,267
1 April 2010	Less: rights issue costs			(250,000)
1 April 2010	Balance	316,183,764		104,383,801

3 Risk Factors

Arafura's activities are subject to a number of risks which may impact respective future financial performance and the market price at which New Shares trade. Some of these risks can be mitigated by the use of safeguards and appropriate controls. However, others are outside Arafura's control and cannot be mitigated. Therefore, investors who acquire New Shares may be exposed to a number of risks. Broadly, these risks can be classified as risks general to investing in the

share market and risks specific to an investment in Shares and Arafura's underlying business.

This Section sets out the identified major risks associated with investing in New Shares. This list is not exhaustive and investors should read this Prospectus in its entirety before making an investment decision. Investors should also have regard to their own investment objectives and financial circumstances, and should consider seeking appropriate independent investment advice before deciding whether to invest in the New Shares.

3.1 Risks specific to an investment in Arafura

Specific risks relating to Arafura include, but are not limited to the following:

(a) **Nolans project**

(1) Processing

A pilot plant has been used to develop and demonstrate the metallurgical and chemical processes to convert Nolans ore into final products. There remains scale up and use of new technology risks on a full commercial scale.

The Nolans Project fails to meet anticipated production levels and product quality requirements.

Changes in mineralogy in the ore deposit can result in inconsistent metal recovery, affecting the economic viability of the project.

(2) Marketing risk

The Nolans project requires contracts for the sale of mineral commodities. There is no guarantee that Arafura will secure contracts.

(3) Financial Capital risk

Development of the Nolans project involves risks associated with the capital cost of construction and commissioning of a production plant and associated equipment.

(b) **Mining, transporting, and processing radioactive materials**

(1) Approval process for uranium mining

Uranium mining is subject to regulation by State, Northern Territory and Federal governments in relation to exploration, development, production, export, taxes, royalties, labour standards, occupational health, waste disposal, protection and rehabilitation of the environment, mine reclamation, mine safety, toxic and radiological substances and other matters. The cost of compliance with such laws and regulations may ultimately increase the cost of exploring, drilling, developing, constructing, operating and closing mines and other production facilities. These approvals are more rigorous than for mining of other mineral commodities. There is a risk if economic deposits of uranium are discovered, the government approvals and licences required to mine and export the deposit may not be granted, or may be significantly delayed or make mining of the deposit uneconomic.

By virtue of the *Atomic Energy Act 1953 (Cth)* and the *Northern Territory (Self Government Act) 1978 (Cth)*, uranium in the Territory is the property of the Commonwealth.

The *Northern Territory (Self Government) Act 1978* (Cth) granted executive powers to the Northern Territory Minister for Mines and Energy (“**Minister**”) with respect to mining and minerals, but not including the mining of uranium unless pursuant to an agreement or arrangement between the Northern Territory and the Commonwealth. By an agreement executed by the Commonwealth and the Northern Territory on 22 March 1979, the Northern Territory was given the power to grant exploration licences to explore for uranium. Any other dealing with tenements involving uranium, that is, applications for the grant of an exploration retention licence or a mineral lease or any renewal application, transfer or other dealing with such tenure must be referred by the Minister to the Commonwealth under the Mining Act (NT).

3.2 Risks specific to Mining

(a) Exploration and Mining risk

Mineral exploration is a high-risk undertaking.

There can be no assurance that mineral exploration will result in the discovery of an economic resource. Even if an apparently viable resource is identified, there is no guarantee that it can be economically exploited.

The business of exploration, project development and mining contains risks and depends on successful exploration and/or acquisition of resources, design and construction of efficient production and processing facilities. In particular exploration is a speculative endeavour and certain circumstances, cost over-runs and other unforeseen events can hinder mining operations.

(b) Operational risks

The operations of the Company may be disrupted by a variety of risks and hazards which are beyond the control of Arafura, including environmental hazards, industrial accidents, technical failures, regulatory changes, labour disputes, unusual or unexpected rock formations, geotechnical rock failures, flooding and extended interruptions due to inclement or hazardous weather conditions, fire, explosions and other incidents.

(c) Title and Native title

Interests in tenements in Australia are governed by the respective State and Northern Territory legislation and are evidenced by the granting of licences or leases. Each licence or lease is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, Arafura could lose title to or its interests in tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments.

Both the *Native Title Act 1993* (Cth), related State and Northern Territory Native Title legislation and Aboriginal land rights and Aboriginal heritage legislation may affect Arafura’s ability to gain access to prospective exploration areas or obtain production titles.

Compensatory obligations may be necessary in settling native title claims if lodged over any tenements acquired by Arafura. The existence of outstanding registered native title claims means that the grant of a tenement in respect of a particular tenement application may be slightly delayed or thwarted pending resolution of future act procedures in the Native Title Act.

The level of impact of these matters will depend, in part, on the location and status of the tenements acquired by Arafura. At this stage, it is not possible to quantify the impact (if any) which these developments may have on the operations of the Arafura.

(d) **Environmental Risk**

Arafura's projects and operations are subject to State, Northern Territory and Federal laws and regulation regarding environmental hazards and discharge of hazardous waste and materials and prescribed materials under the *Atomic Energy Act 1953* (Cth). Arafura is committed to conducting its activities in an environmentally responsible manner, in accordance with applicable laws and regulations but the potential for liability is ever present.

The cost and complexity of complying with the applicable environmental laws and regulations may prevent Arafura from being able to develop potentially economically viable mineral deposits.

(e) **Occupational health and safety risk**

Arafura is committed to providing a healthy and safe environment for its personnel, contractors and visitors. Arafura provides appropriate instructions, equipment, preventative measures, first aid information and training to all stakeholders through its Occupational Health and Safety Management Systems. There is a risk that Arafura's personnel, contractors or visitors may be subject to an industrial accident which adversely impacts Arafura.

(f) **Other factors**

In addition to the risks outlined above, Arafura's operating performance and profitability, and thus an investment in New Shares, is sensitive to a number of other specific factors. These include, but are not limited to:

- the discovery and/or acquisition of commercially recoverable minerals;
- access to adequate capital for project development;
- design and construction of efficient mining and processing facilities within capital expenditure budgets;
- obtaining continued access to processing facilities on favourable terms and conditions;
- the terms and interpretation of current and future contractual arrangements;
- obtaining consents and approvals necessary for the conduct of exploration and mining;
- favourable weather conditions for exploration and mining activities; and
- access to competent operational management and prudent financial administration, including the availability and reliability of appropriately qualified, skilled and experienced employees, contractors and consultants.

3.3 General investment and economic risks

A number of factors which are outside of Arafura's control may significantly impact on Arafura, its performance and the price of New Shares. These factors include:

(a) **Investment and Economic Risk**

Economic factors both in Australia and internationally beyond the control of Arafura, such as changes in commodity prices, interest rates, inflation, exchange rates, taxation, changes in government policy and legislation, may negatively impact on the operational performance of Arafura.

Arafura's revenues, expenses and cash flows could be negatively affected by any of these factors, which in turn may affect the price of New Shares.

No assurances can be made that Arafura's performance will not be adversely affected by any such market fluctuations or factors. None of Arafura or its Directors or any other person guarantees the performance of Arafura or the market price at which its shares trade.

The New Shares are to be quoted on ASX where their price may rise or fall.

The New Shares issued under the Rights Issue carry no guarantee in respect of profitability, dividends, return of capital or the price at which they may trade on ASX. The value of the New Shares will be determined by the share market and will be subject to a range of factors beyond the control of Arafura and its Directors including the demand and availability of Shares.

There can be no guarantee that an active market in New Shares will develop or the market price of the shares will not decline. An investment in New Shares should be considered speculative.

(b) **Government policy**

As greater than 15% of the issued share capital in Arafura is controlled by ECE (a foreign government owned entity), Arafura is deemed to be a "foreign person" under the *Foreign Acquisitions and Takeovers Act 1975* (Cth) and therefore must comply with Australia's Foreign Investment Review Board's requirements.

Further to this, Arafura's capacity to explore and mine, as well as industry profitability generally, can be affected by changes in government policy which may be beyond the control of Arafura.

(c) **Commodity price risk**

The demand for and price of commodities is highly dependant on a variety of factors, including, the level of forward selling by producers, costs of production, general economic conditions, inflation levels, interest rates and exchange rates.

These factors may adversely impact on Arafura's ability to fund operations, exploration, evaluation and development activities.

(d) **Future capital needs and additional funding**

The future capital requirements of Arafura will depend on many factors. There can be no guarantee that Arafura will be able to raise additional capital or debt finance to meet future funding requirements.

Any inability to obtain additional finance, if required, would have a material adverse effect on Arafura's business and its financial condition and performance.

(e) **Taxation risk**

Variations in the taxation laws of Australia could impact Arafura's financial performance and interpretation of taxation law could change, leading to a change in taxation treatment of investments or activities.

(f) **Changes in regulatory environment**

Changes to laws and regulations or accounting standards which apply to Arafura from time to time could adversely impact the operating and financial performance and cash flows of Arafura.

4 Additional Information relating to Arafura

4.1 Rights and liabilities attaching to Arafura Shares

The New Shares issued under this Prospectus will be fully paid ordinary shares in the capital of Arafura and will rank equally with the Shares. The rights and liabilities attaching to Arafura Shares are:

- set out in the Arafura Constitution; and
- in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules, the ACH Clearing Rules, the ASTC Settlement Rules and the common law.

A summary of the principal rights and liabilities attaching to Shares is set out below. This summary does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of Shareholders. For a Shareholder to obtain a definitive assessment of the rights and liabilities which attach to Shares in any specific circumstances, that Shareholder should seek independent legal advice.

(a) **Voting**

At a general meeting, on a show of hands every ordinary shareholder present in person or by proxy, attorney or representative, has one vote. At the taking of a poll, every ordinary shareholder present in person and whose shares are fully paid has one vote for each of his or her shares. On a poll, the holder of a partly paid share has a fraction of a vote with respect to the share. The fraction is equivalent to the proportion which the amount paid (not credited) bears to the total amount paid and payable (excluding amounts credited).

(b) **General meetings**

Each ordinary shareholder is entitled to receive notice of, attend and vote at general meetings of Arafura and to receive all notices, financial statements and other documents required to be sent to ordinary shareholders under the Constitution, the Corporations Act and the ASX Listing Rules.

(c) **Dividends**

Arafura may pay to ordinary shareholders any interim and final dividends as, in the Directors' judgement, the financial position of Arafura justifies. The Directors may fix the amount, the record date for determining eligibility and the method of payment. All dividends must be paid to the ordinary shareholders in proportion to the number of shares held.

(d) Transfer of shares

Generally, all shares in Arafura are freely transferable subject to the procedural requirements of the Constitution and to the provisions of the Corporations Act, the ASX Listing Rules and the ASTC Settlement Rules. The Directors may decline to register an instrument of transfer received where the transfer is not in registrable form or where refusal is permitted under the ASX Listing Rules or the ASTC Settlement Rules. If the Directors decline to register a transfer, Arafura must give reasons for the refusal. The Directors must decline to register a transfer when required by the Corporations Act, the ASX Listing Rules or the ASTC Settlement Rules.

(e) Variation of rights

Arafura may only modify or vary the rights attaching to any class of shares with the prior approval by a special resolution of the holders of shares in that class at a meeting of those holders, or with the written consent of the holders of at least 75% of the issued shares of that class.

(f) Directors

The minimum number of Directors is three and the maximum is ten unless an Arafura general meeting determines otherwise. There are currently seven Directors. Directors must retire on a rotational basis with one-third of Directors having to retire at each annual general meeting. Any other Director who has been in office for three or more years must also retire. A retiring Director is eligible for re-election. The Directors may appoint a Director either in addition to existing Directors or to fill a casual vacancy, who then holds office until the next annual general meeting.

(g) Decisions of Directors

Questions arising at a meeting of Directors are decided by a majority of votes. The Chairperson has a casting vote.

(h) Issue of further shares

Subject to the Arafura Constitution, the Corporations Act and the ASX Listing Rules, the Directors may issue, or grant options in respect of, shares to such persons on such terms as they think fit. In particular, the Directors may issue preference shares, including redeemable preference shares, and may issue shares with preferred, deferred or special rights or restrictions in relation to dividends, voting, return of capital or otherwise.

(i) Officers' indemnity

To the full extent permitted by the law and to the extent not covered by insurance, Arafura must indemnify each officer of Arafura against any losses or liabilities incurred by the person as an officer of Arafura, including costs and expenses incurred in defending proceedings in which judgment is given in favour of the person or in which the person is acquitted or in connection with relief granted to the person in an application under the Corporations Act in respect to such proceedings.

(j) Alteration to the Arafura Constitution

The Arafura Constitution can only be amended by a special resolution passed by at least 75% of ordinary shareholders present and voting at a general meeting. At least 28 days' notice of the intention to propose the special resolution must be given.

4.2 Related party transactions

Other than as disclosed elsewhere in this Prospectus, Arafura is not a party to any agreement that would be considered a related party transaction.

4.3 Litigation and material disputes

As at the date of this Prospectus, Arafura is not involved in any legal or administrative proceedings and the Directors are not aware of any claim or threatened claim against Arafura which may result in material legal proceedings.

Native Title claims have been formally lodged in respect of areas that include tenements and applications for tenements controlled by Arafura. These claims will be the subject of determination by the Native Title Tribunal. Arafura has begun negotiations with the Native Title claimants and the Central Land Council for the Nolans area under the 'Right to Negotiate' provisions of the Native Title Act. Arafura is seeking to negotiate a formal mining agreement ahead of seeking a formal determination.

4.4 Interests of Arafura Directors and promoters

Other than as set out below or elsewhere in this Prospectus, no Director or promoter of Arafura (or entity in which they are a partner or director) has, or has had in the two years before the date of this Prospectus, any interest in:

- the formation or promotion of Arafura;
- property acquired or proposed to be acquired by Arafura in connection with its formation or promotion of the Rights Issue; or
- the Rights Issue,

and, other than as set out below or elsewhere in this Prospectus, no amounts have been paid or agreed to be paid and no value or other benefit has been given or agreed to be given to:

- any Director of Arafura to induce him to become or to qualify as a director of Arafura; or
- any Director or promoter of Arafura (or entity in which they are a partner or director) for services which he or she has provided in connection with the formation or promotion of Arafura or the Rights Issue.

The Directors and their related entities have the following interests in the Shares and the Options as at the date of this Prospectus.

Directors' interests include interests they have in Shares registered in the name of other persons. Option terms have previously been disclosed to ASX. Directors holding Shares will be entitled to participate in the Offer on the same basis as other Eligible Shareholders.

Table 7: Directors' Interests

Director	Shares Held Directly or Indirectly	Options Held Directly or Indirectly
Stephen Ward	100,000	1,500,000
Irvin (Mick) Graham Muir	3,167,001	Nil
Ian John Kowalick	550,000	1,500,000
Terry Jackson	4,778,668	1,500,000
Ian Laurance	100,000	2,000,000
Shasha Lu	Nil	500,000
Alex Losada-Calderon	Nil	Nil

4.5 Equity Line of Credit Agreement

On 14 October 2008 Arafura announced that it had agreed to accept the offer of a A\$20,000,000 facility with US-Based Investment Fund YA Global Investments, L.P. (**YA Global**).

Under the terms of the facility, Arafura may, at its discretion, issue shares to YA Global at any time over a period of 60 months commencing from 14 October 2008, up to a total of A\$20,000,000. Arafura may draw down up to A\$350,000 in any 10 day period.

Subject to certain pricing parameters, shares issued to YA Global will be priced at the lowest daily volume weighted average price ("VWAP") of Arafura shares traded on each of the 10 trading days which follow an advance notice by Arafura. A commission of 5% of each advance under the facility will be payable by Arafura at the time each advance is made.

To date this facility has not been utilised.

4.6 Privacy notification

By filling out the Entitlement and Acceptance Form to apply for New Shares, you are providing personal information to Arafura.

The *Privacy Act* 1988 (Cth) regulates the way Arafura collects, uses, disposes, keeps secure and gives people access to their personal information.

Arafura collects, holds and uses that personal information in order to process your application and to administer your shareholding in Arafura, including:

- setting up and maintaining a register of shareholders in accordance with the Corporations Act;
- paying dividends to you should Arafura at a later date declare a dividend;
- communicating with Shareholders, including sending annual reports, notices of meetings and any other documents which Arafura wishes to send to you as a Shareholder;
- carrying out general administration including monitoring, auditing, evaluation, modelling data, dealing with complaints and answering queries; and
- complying with its legal and regulatory obligations.

If you do not provide the information requested in the Entitlement and Acceptance Form, Arafura may not be able to process or accept your application for New Shares.

Your personal information may be provided to Arafura's agents or service providers.

The types of agents and service providers that may be provided with your personal information include:

- the Share Registry for ongoing administration of the share register;
- printers and mail houses for the purposes of preparation and distribution of documents to you and for handling mail; and
- professional service providers such as lawyers, accountants, auditors and other professional advisers for the purpose of administering, and advising on, the New Shares and for any associated actions.

Your personal information may be provided to certain third parties. The types of third parties that may be provided with your personal information, and the circumstances in which your personal information may be disclosed, include:

- your financial adviser or broker (other than your tax file number information) in connection with services provided to you by your adviser or broker;
- government, regulatory authorities or other people when permitted or required by law, such as ASIC or people inspecting the Share register in accordance with the Corporations Act;
- ASX; and
- in certain circumstances and with safeguards to respect your privacy, potential or actual purchasers of an interest in Arafura or Arafura's business or any part thereof.

You have the right to gain access to your personal information held by, or on behalf of, Arafura, subject to certain exemptions under the law. You may be required to pay a reasonable charge in order to access your personal information. You can request access to your personal information by telephoning or writing to the Company Secretary as follows:

Arafura Resources Limited
Company Secretary
PO Box 3047
Perth WA 6832
Tel: (61-8) 6210 7666
Fax: (61-8) 9221 7966

4.7 Taxation Implications

Arafura recommends that Eligible Shareholders obtain their own independent taxation advice regarding the possible taxation implications of the Rights Issue.

4.8 Foreign Ownership Implications

As greater than 15% of the issued share capital in Arafura is controlled by ECE (a foreign government owned entity), Arafura is deemed to be a "foreign person" under the *Foreign Acquisitions and Takeovers Act 1975* (Cth).

Foreign investors wishing to acquire a direct or indirect interest in Arafura shares should satisfy themselves as to compliance with applicable laws.

5 General Additional Information

5.1 Interests of advisers

Other than as set out below or elsewhere in this Prospectus, all persons named in this Prospectus as having performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, do not have, and have not had in the two years before the date of this Prospectus, any interests in:

- the formation or promotion of Arafura;
- property acquired or proposed to be acquired by Arafura in connection with its formation or promotion or the Rights Issue; or
- the Rights Issue,

and, other than as set out below or elsewhere in this Prospectus, no amounts have been paid or agreed to be paid and no other benefit has been given or agreed to be given to any persons named in this Prospectus as having performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, in connection with the formation or promotion of Arafura or the Rights Issue.

Johnson Winter & Slattery has acted as Australian legal adviser to Arafura in relation to the Rights Issue. Their fees for this work up to the date of lodgement of this Prospectus will be approximately \$25,000. Johnson Winter & Slattery receives further fees for additional work done determined on the basis of hours spent at its ordinary hourly rates.

Bell Potter will be paid a fee of 1% of the gross sale proceeds to act as Nominee to sell the Rights of Ineligible Foreign Shareholders.

5.2 Consents to statements in the Prospectus and consents to be named

BDO has given and, at the time of lodging this Prospectus with ASIC, has not withdrawn, its written consent to be named in this Prospectus as the Company's Auditors in the form and context in which it is named.

Johnson Winter & Slattery has given and, at the time of lodging this Prospectus with ASIC, has not withdrawn, its written consent to be named in this Prospectus as Australian legal adviser to Arafura in relation to the Rights Issue in the form and context in which it is named.

Security Transfer Registrars Pty Ltd has given and, at the time of lodging of this Prospectus with ASIC, has not withdrawn, its consent to be named in this Prospectus as Share Registry for Arafura in the form and context in which it is named.

Each of BDO, Johnson Winter & Slattery and Security Transfer Registrars Pty Ltd jointly and severally:

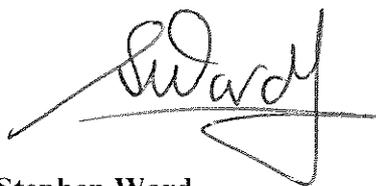
- do not make the Offer;
- have not authorised or caused the issue of this Prospectus;

- do not make or purport to make, any statement in this Prospectus, or any statement in which a statement in this Prospectus is based, other than as specified above; and
- to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than the reference to their name or as otherwise specified above.

6 Authorisation

Each Arafura Director has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

This Prospectus is signed for and on behalf of Arafura by:



Stephen Ward
Managing Director & Chief Executive Officer
Arafura Resources Limited

23/02/10



7 Defined Terms and Interpretation

7.1 Defined Terms

In this Prospectus and in the Entitlement and Acceptance Form, unless the context otherwise requires, the following terms have the meanings listed:

A\$ or \$	Australian dollars.
Additional Shares	Those New Shares forming part of the Shortfall for which Eligible Shareholders may apply for under the Shortfall Offer.
Administration	Expenditure required on Arafura's existing tenements in order to maintain its leases.
Application Monies	The monies received from persons applying for New Shares pursuant to the terms of the Rights Issue.
Arafura	Arafura Resources Limited ABN 22 080 933 455.
Arafura Constitution	The constitution of Arafura.
Arafura Options	The right to subscribe for Arafura Shares.
Arafura Share	A fully paid, ordinary share issued in the share capital of Arafura.
ASIC	Australian Securities & Investments Commission.
Associate	Has the meaning given to that term in the Corporations Act.
ASTC Settlement Rules	The Settlement Rules for the ASX Settlement & Transfer Corporation Pty Ltd ABN 49 008 504 532.
ASX	ASX Limited ABN 98 008 624 691 or the Australian Securities Exchange operated by it (as the context requires).
Board	Board of Directors of Arafura at the date of this Prospectus.
BDO	BDO Audit (WA) Pty Ltd
BFS	Bankable Feasibility Study
Business Day	Has the meaning given to that term in the Listing Rules.
CHESS	Has the meaning attributed to that term in the ASTC Settlement Rules.
Closing Date	5.00pm Perth time on 23 March 2010, or such later date as the Directors, in their absolute discretion and subject to compliance with the Listing Rules, may

	determine.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
ECE	East China Exploration & Development Bureau, the ultimate parent entity of ECE Nolans
ECE Nolans	ECE Nolans Investment Co Pty Limited, a registered holder of Arafura Shares.
Eligible Shareholder	A registered holder of Arafura Shares on the Record Date whose registered address is in Australia or in New Zealand.
Entitlement	An Arafura Shareholder's entitlement under the Rights Issue to subscribe for New Shares.
Entitlement and Acceptance Form	The entitlement and acceptance form accompanying this Prospectus.
Ineligible Foreign Shareholder	An Arafura Shareholder on the Record Date: <ul style="list-style-type: none"> (a) whose address in the register of members is located in a country outside of Australia and outside of New Zealand; or (b) who is a person who is, or is holding the account or benefit of, a person who is a U.S. person or in the United States.
Listing Rules	The listing rules of the ASX.
New Share	A Share that is issued under the Rights Issue.
Offer	The offer to Eligible Shareholders to subscribe for New Shares under the Rights Issue.
Record Date	5.00pm Perth time on 4 March 2010.
Rights	The right to subscribe for New Shares under this Prospectus.
Rights Issue	A pro rata renounceable offer to the Eligible Shareholders to subscribe for 1 New Share at the price of \$0.62 per New Share for every 10 Shares held at the Record Date.
Section	A section of this Prospectus.
Share Registry	Security Transfer Registrars Pty Ltd ABN 95 008 894 488.
Shortfall	Those New Shares offered under the Rights Issue but not applied for by Eligible Shareholders under their Entitlement.

Shortfall Offer	The offer to Eligible Shareholders for Additional Shares described in Section 1.7.
U.S. or United States	The United States of America, its territories and possessions, any State of the United States and the District of Columbia.
US\$	United States dollars.
U.S. Person	Has the meaning given to that term in Regulation S under the U.S. Securities Act.
U.S. Securities Act	The Securities Act of 1933, as amended, of the United States.
Vested Options	The 11,060,000 Options listed in Table 4 which are shown in that table as vested.
WA	Western Australia.

7.2 Interpretation

In this Prospectus and in the Entitlement and Acceptance Form, unless the context otherwise requires:

- (a) words and phrases have the same meaning (if any) given to them in the Corporations Act;
- (b) words importing a gender include any gender;
- (c) words importing the singular include the plural and vice versa;
- (d) an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- (e) a reference to a section is a reference to a section of this Prospectus;
- (f) a reference to a statute, regulation, proclamation, ordinance or by-law includes all statutes, regulations, proclamations, ordinances or by-laws amending, consolidating or replacing it, whether passed by the same or another government agency with legal power to do so, and a reference to a statute includes all regulations, proclamations, ordinances and by-laws issued under that statute;
- (g) headings and boldings are for convenience only and do not affect the interpretation in this Prospectus;
- (h) a reference to time, unless otherwise stated, is a reference to Perth time;
- (i) a reference to writing includes email and facsimile transmissions.

Arafura Corporate Directory

Directors

Ian Laurance
Chairman

Stephen Ward
Managing Director & Chief Executive Officer

Mick Muir
Non-Executive Director

Ian John Kowalick
Non-Executive Director

Terry Jackson
Non-Executive Director

Shasha Lu
Executive Director (China Operations)

Alex Losada-Calderon
Non-Executive Director

Company Secretary

Gavin Lockyer

Registered and Principal Office

Level 5
16 St Georges Terrace
Perth WA 6000

Telephone: (61-8) 6210 7666

Facsimile: (61-8) 9221 7966

Website

<http://www.arafurareources.com.au>

This Prospectus and detailed public information regarding Arafura is available on the above website.

Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153

Telephone: (61-8) 9315 2333

Facsimile: (61-8) 9315 2233

Stock Exchange

Arafura is listed on the Australian Securities Exchange.

Arafura's shares are quoted for trading on the Australian Securities Exchange.

The home exchange is the Australian Securities Exchange (Perth).

ASX Code

ARU

Australian Legal Adviser

Johnson Winter & Slattery
Level 1 London House
216 St Georges Terrace
Perth WA 6000

Auditors

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008