

NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY MEMORANDUM TO SHAREHOLDERS

A PROXY FORM IS ATTACHED

Date of Meeting
20 November 2014

Time of Meeting
10am WST

Place of Meeting
**Duxton Hotel, Room: Duxton 3
1 St Georges Terrace, Perth
Western Australia**



ABN 22 080 933 455

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.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the 2014 Annual General Meeting of the Company will be held at Duxton Hotel Room: Duxton 3, 1 St Georges Terrace, Perth, Western Australia, on 20 November 2014 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 2014 and the reports of the Directors and auditors for the financial year ended 30 June 2014.

RESOLUTION 1: 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 2014 be adopted."

RESOLUTION 2: Re-election of Terry Grose as Director

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

"That Terry Grose, 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 with effect from the close of this meeting."

RESOLUTION 3: 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 with effect from the close of this meeting."

RESOLUTION 4: Approval of grant of options to Gavin Lockyer, Managing Director and CEO of the Company.

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

"That for the purposes of Chapter 2E of the Corporations Act, Listing Rule 10.11 of the Listing Rules and for all other purposes, approval is given for the Company to grant Gavin Lockyer (or his nominee) a total of 3,000,000 Options as per the terms and conditions set out in the Explanatory Memorandum."

Other business

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

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.

NOTICE OF ANNUAL GENERAL MEETING

Resolutions are not inter-dependent

The resolutions are not inter-dependent. This means that a resolution may be passed notwithstanding that one or more of the other resolutions are not passed.

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, Shares will be taken to be held by the persons who are the registered holders at **5.00 pm WST on 18 November 2014**. Accordingly, 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. In relation to Resolution 1, a vote on Resolution 1 must not be cast in any capacity by, or on behalf of, either of the following persons:
 - (a) a member of the Key Management Personnel for the company, details of whose remuneration are included in the remuneration report; or
 - (b) a Closely Related Party of such a member.

However a person described above (the "voter") may cast a vote on Resolution 1 as a Proxy if the vote is not cast on behalf of a person described in paragraph (a) or (b) above and either:

- (a) the voter is appointed as a Proxy by writing that specifies the way the Proxy is to vote on the resolution; or
 - (b) the voter is the chair of the meeting and the appointment of the chair as Proxy:
 - (1) does not specify the way the Proxy is to vote on the resolution; and
 - (2) 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 Key Management Personnel for the company.
2. any votes cast on Resolution 2 by Mr. Terry Grose and any of his Associates;
3. any votes cast on Resolution 3 by Ms. Shasha Lu and any of her Associates;
4. any votes cast on Resolution 4 by Mr. Gavin Lockyer and any of his Associates;

Under Listing Rule 14.11 the Company need not disregard a vote on Resolution 4 if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Under Section 224(2) of the Corporations Act the Company need not disregard a vote on Resolution 4 if:

- (a) it is cast by a person as proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- (b) it is not cast on behalf of Mr. Gavin Lockyer or an associate of Mr. Gavin Lockyer.

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 1 and Resolution 4 if:

- (a) the person is either a member of the Key Management Personnel for the Company, or a Closely Related Party of the member of the Key Management Personnel 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 Key Management Personnel for the Company.

Chairman and Chairman's voting intentions for undirected proxies

It is proposed that the Chairman of the Meeting be the Chairman of the Board of Directors, Mr. Ian Kowalick. It is the Chairman's intention to vote undirected proxies which he holds as proxy in favour of all resolutions where possible.

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.

NOTICE OF ANNUAL GENERAL MEETING

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 20 November 2014**.

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
- 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 Company's registered post-office at PO Box 5773, St Georges Terrace, Perth WA 6831;
- Fax to +61 8 9221 7966; or
- Hand delivered to Level 5, 16 St Georges Terrace, Perth, WA, 6000

so that they are received no later than **10.00am WST on 18 November 2014**.

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 the BDO audit report or the conduct of its audit of the Company's financial report for the period ended 30 June 2014. Relevant written questions for BDO Audit & Assurance (WA) Pty Ltd must be received by mail at the PO Box 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.


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 8th day of October 2014



Peter Sherrington
Company Secretary

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 2014 (including the financial statements, Directors' report and Auditor's report for the financial year ended 30 June 2014) is available for review by members at www.arultd.com 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 2014 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.

2: Resolution 1 – Remuneration Report

The Remuneration Report of the Company for the financial year ending 30 June 2014 is set out in the Directors' Report on pages 28 to 44 of the Company's Annual Report 2014 which was released to the market on 17 September 2014.

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 1 are against the resolution in two consecutive years, starting at this 2014 AGM, shareholders will be required to vote at the second of those AGM's on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of the Company's Directors (other than the Managing Director / Chief Executive Officer) must stand for re-election. The Company encourages all shareholders to cast their votes on Resolution 1 (Adoption of Remuneration Report).

The Chairman intends to exercise all undirected proxies in favour of Resolution 1. If the Chairman of the meeting is appointed as your proxy and you have not directed the Chairman how to vote on Resolution 1 by marking "X" in the box in the Proxy Form, then the terms of the Proxy Form state that you provide an express authorisation for the Chairman of the meeting to vote the proxy in accordance with the Chairman's intention.

EXPLANATORY MEMORANDUM

3: Resolution 2 – Re-election of Terry Grose as Director

Terry Grose 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 Mr. Grose appears below:

Mr. Grose holds a Master of Business Administration as well as a Bachelor of Economics from the University of Western Australia and has a strong commercial background gained over 30 years as a senior business executive, consultant and Director, in Australia and internationally.

He spent a number of years in merchant banking before joining Wesfarmers Limited in 1985 as its first Business Development Manager. During the ensuing decade he held various senior management positions in Wesfarmers' corporate office, its fertiliser & chemicals division and its coal mining division. For several years he was General Manager International Business Development. In 1996 Mr. Grose moved to Hong Kong as CFO and Executive Director of an innovative computer software company with operations in Hong Kong and Japan. Three years later he played a key role in negotiating the sale of the business and then established his own business, Grose International, a commercial and financial consultancy with clients throughout Asia.

Since returning to Australia in 2008 he has worked as a consultant specialising in strategic planning and financial management and as a Director of a number of companies.

Mr. Grose is a Fellow of the Australian Institute of Company Directors and is currently a Director of Yirra Yaakin Aboriginal Corporation, Martu People Limited and Central Desert Native Title Services Limited.

The Directors (excluding Mr. Grose) recommend that Shareholders vote in favour of Resolution 2.

4: Resolution 3 – 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.

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

Ms. Lu is currently a Non-Executive Director of Sheng Kang Ning (Shanghai) Mining Investment CO.,LTD ("SKN"), a China-based mineral investment and services company. The business objectives of SKN are global mineral investment, project development, equity investment and management of mineral resources.

Prior to being appointed as Non-Executive Director of SKN, Ms. Lu was Executive Director and CEO of Hong Kong East China Non-Ferrous Mineral Resources Co. Ltd. ("HKECE") and Ao-Zhong International Resources Pty Ltd ("Ao-Zhong"), wholly owned subsidiaries of Jiangsu East China Non-ferrous Metals Investment Holding Co., Ltd. ("ECE"). HKECE and Ao-Zhong hold the foreign business interests of ECE.

Ms. Lu also holds an Executive Master of Business Administration (EMBA) from Nanjing University, as well as PhD in Medicine from the Tianjin 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.

Ms. Lu is also a Director of Globe Metals & Mining Limited (ASX: GBE).

The Directors (excluding Ms. Lu) recommend that Shareholders vote in favour of Resolution 3.

5: Resolution 4 – Grant by Arafura of options to Gavin Lockyer

5.1 Introduction

Arafura seeks to grant a total of 3,000,000 Options to Mr. Gavin Lockyer who is the Managing Director and Chief Executive Officer of the Company.

5.2 Approvals required

Shareholder approval is sought for the purposes of Chapter 2E of the Corporations Act and Listing Rule 10.11 for Arafura to grant the above Options.

5.3 Listing Rule 10.11

Listing Rule 10.11 provides that Arafura must not issue Equity Securities to a related party unless one of a number of exceptions

EXPLANATORY MEMORANDUM

5: Resolution 4 (cont.) – Grant by Arafura of options to Gavin Lockyer

applies, or shareholder approval is obtained. Further, Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue, or agree to issue, during any 12 month period any equity securities (or other securities with rights to conversion to equity), if the number of those securities exceeds 15% of the number of ordinary securities on issue at the commencement of that 12 month period. Shares issued under this Resolution would fall within an exception. If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

One of the effects of the Resolution will be to allow the Company to grant the 3,000,000 Options proposed to be granted without using the Company's 15% placement capacity.

Pursuant to and in accordance with Listing Rule 10.13, the following information is provided in respect of the 3,000,000 Options:

- (a) the number of Options to be granted is 3,000,000;
- (b) the Options will be granted no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules);
- (c) the issue price for the Options will be nil;
- (d) the Options will be granted to Mr. Gavin Lockyer (or his nominee);
- (e) the Options will be granted on the terms set out in Annexure B; and
- (f) no funds will be raised by the issue of the Options.

5.4 Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act regulates the provision by a public company of a "financial benefit" to a "related party". Section 208 of the Corporations Act prohibits:

- (1) a public company giving a financial benefit to a related party; or
- (2) a company which is controlled by the public company giving a financial benefit to a related party, unless one of a number of exceptions applies, or shareholder approval is obtained.

A "financial benefit" is defined in the Corporations Act in broad terms and includes a company issuing shares and granting options.

A "related party" includes:

- (1) a Director; and
- (2) an entity over which a Director has control; and
- (3) an entity which believes, or has reasonable grounds to believe, that it is likely to become a related party in the future.

For the purposes of Chapter 2E of the Corporations Act, Mr. Gavin Lockyer is a related party of Arafura. Accordingly, Shareholder approval is required.

5.5 Information requirements

The following information is provided to Shareholders in accordance with the requirements of section 219 of the Corporations Act:

The related party

The related party is Mr. Gavin Lockyer – Managing Director and Chief Executive Officer (or his nominee).

Proposed financial benefit

The nature of the financial benefit to be given is to grant 3,000,000 Options to Mr. Gavin Lockyer.

The terms of the options proposed to be granted are set out in Annexure B and if granted will be issued for nil consideration.

Reasons for the specific number of options and the specific option exercise price

The specific number of Options for Mr. Lockyer was chosen by the Board as an appropriate number to attract and also retain a Director of his particular skills and experience, to form part of a reasonable remuneration package and to provide a realistic and meaningful incentive to Mr. Lockyer.

The option exercise price of a 40% premium to the Company's share price was chosen by the Board (excluding Mr. Lockyer) as a reasonable premium above the Company's share price to provide a realistic and meaningful incentive to Mr. Lockyer.

The issue of Options to Mr. Lockyer is a more cost effective incentive for the Company as opposed to the payment of additional cash compensation to Mr. Lockyer. Alternative choices such as providing higher director fees, cash payments or cash bonuses to Mr. Lockyer were considered by the Board (other than Mr. Lockyer) however, these choices were considered inappropriate by the Board (other than Mr. Lockyer) because they would reduce the Company's cash position at a time when the Company wishes to minimise cash expenditure and preserve its cash reserves.

Recommendation of each Arafura Director

Mr. Gavin Lockyer has a material personal interest in the outcome of Resolution 4 and therefore does not wish to make a recommendation to Shareholders about Resolution 4 because he has an interest in the outcome of that Resolution.

5: Resolution 4 (cont.) – Grant by Arafura of options to Gavin Lockyer

The grant of Options to Mr. Gavin Lockyer is a more cost effective incentive for the Company as opposed to the payment of additional cash compensation. As mentioned above, alternative choices such as higher director fees, cash payments or cash bonuses were considered inappropriate because these choices would reduce the Company's cash position.

Mr. Ian Kowalick, Director, recommends that Shareholders approve Resolution 4 for the reasons set out in this Explanatory Memorandum.

Mr. Chris Tonkin, Director, recommends that Shareholders approve Resolution 4 for the reasons set out in this Explanatory Memorandum.

Ms. Shasha Lu, Director, recommends that Shareholders approve Resolution 4 for the reasons set out in this Explanatory Memorandum.

Mr. Terry Grose, Director, recommends that Shareholders approve Resolution 4 for the reasons set out in this Explanatory Memorandum.

Existing relevant interest

The non-interested Directors, Mr. Kowalick, Mr. Tonkin, Mr. Grose and Ms. Lu do not have an interest in the outcome of Resolution 4.

As at the date of the Notice of Meeting, each Director holds the interests in Arafura set out in **Annexure C**.

Mr Lockyer has an interest in the outcome of Resolution 4 in that he will receive 3,000,000 options if Resolution 4 is passed.

5.6 Total remuneration package

The total remuneration package for Mr. Lockyer for the financial year ending 30 June 2015 is set out below:

Benefit	Amount
Base Pay (Including Superannuation)	\$425,000
Health & Wellbeing Allowance	\$1,100
Total	\$426,100

All figures stated above do not attract GST.

5.7 Dilution effect if options exercised

If the Options are granted and any or all of the Options are exercised, dilution of existing shareholders will occur. The dilution effect will be marginal. As at the date of issue of the Notice of Meeting, the total number of shares on issue is 441,270,644. If all of the Options are exercised the dilution effect will be approximately 0.680% (based on the total number of shares on issue as at the date of the Notice of Meeting).

5.8 Trading history

The highest and lowest market sale prices of the Company's Shares on the ASX during the 12 months immediately preceding the date of the Notice of Meeting and the respective dates of those sales were:

Highest: \$0.105 on 24 July 2014

Lowest: \$0.055 on 5 June 2014

The latest available market sale price of the Company's Shares on the ASX immediately prior to the date of the Notice of Meeting was \$0.06 on 6 October 2014.

5.9 Valuation of Options

The Options to be issued to Mr. Gavin Lockyer have been valued by internal management.

An indicative valuation for each Option as at 17 September 2014 has been calculated in accordance with the principles of Australian Accounting Standards Board (AASB) accounting standard AASB 2 Share-based payments.

The first tranche of 1,000,000 Options is valued at \$0.026 per option.

The second tranche of 1,000,000 Options is valued at \$0.027 per option.

The third tranche of 1,000,000 Options is valued at \$0.029 per option.

The valuation took into account the following matters:

- The valuation of the Options assumes that the exercise of an option does not affect the value of the underlying asset.
- Under AASB 2 Share-based payments, and option valuation theory, no "discount" is made to the fundamental value because the options are "unquoted" options over quoted shares.

5: Resolution 4 (cont.) – Grant by Arafura of options to Gavin Lockyer

Using the Black-Scholes-Merton option model and based on the assumptions set out below, including the dates specified, the Options were ascribed the following value:

Input Details	Input	Basis for Input Value
Underlying SP	\$0.068 being the share price at 17 September 2014.	Based on the Company's underlying share price as at 17 September 2014 of \$0.068.
Option Strike Price	\$0.105	VWAP of Arafura's share price for the 5 trading days up to the 16th of September 2014, as determined by the Arafura Board.
Risk Free Rate	Tranche 1: 2.73% Tranche 2: 2.80% Tranche 3: 2.86%	As the total amount of options issued vest in three equal tranches, all with different vesting dates, starting from 12 months from issue and every 12 months after that, the input value is the Implied yield on zero-coupon Australian Government bonds as at 17 September 2014, corresponding to the expected life of the options for each tranche.
Expected Option Grant Date	20 November 2014	Expected date of shareholder approval.
Vesting Dates	Tranche 1: 20 November 2015 Tranche 2: 20 November 2016 Tranche 3: 20 November 2017	Terms and conditions of the Options.
Expiry Date	5pm Perth time on 20 November 2018	Terms and conditions of the Options.
Expected Volatility	Tranche 1: 70.37% Tranche 2: 70.19% Tranche 3: 69.93%	Daily historical volatility corresponding to the expected life of the Options
Dividend Yield	0.00%	Expected dividend yield is expressed as the annualised percentage yield expected to be distributed by the Company over the expected life of the options. Since Arafura did not pay any dividends over the previous 12 months a 0% yield has been assumed.

Note: The valuation noted above is not necessarily the market price that the related Party Options could be traded at and is not automatically the value for taxation purposes.

Based on the above valuations, the total value of the first tranche of 1,000,000 Options is \$26,000.

Based on the above valuations, the total value of the second tranche of 1,000,000 Options is \$27,000.

Based on the above valuations, the total value of the third tranche of 1,000,000 Options is \$29,000.

5.10 Other

There are no taxation consequences for the Company resulting solely from the grant of the Options, including no fringe benefits tax. The Board (other than Mr. Lockyer) does not consider that there are any opportunity costs to the Company, or benefits forgone by the Company, as a result of granting the Options.

5.11 Listing Rules 7.1 and 7.2 and 15% restriction

If shareholder approval is given under Listing Rule 10.11 then the Listing Rules provide that shareholder approval will not be required for the purposes of the 15% restriction in Listing Rule 7.1 as that Listing Rule applies to the grant of the Options.

ANNEXURE A - DEFINITIONS

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.

Associate has the meaning given to the term "associate" in Chapter 19 of the Listing Rules.

associate has the meaning given in Section 10 to Section 16 (inclusive) of the Corporations Act.

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 or **Arafura** means Arafura Resources Limited ABN 22 080 933 455.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a Director of the Company.

Equity Securities has the meaning given in the Listing Rules.

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 20 November 2014 at 10 a.m. WST

Notice means this Notice of Annual General Meeting.

Option means an unquoted option to subscribe for one Share;

Proxy Form means the proxy form attached to the Notice.

Remuneration Report means the report commencing on page 28 of the Company's 2014 Annual Report which was released to the market on 17 September 2014.

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.

ANNEXURE B - Summary of Related Party Options Terms and Conditions

Terms of the options to be granted to Mr.Lockyer

The key terms of the Options are:

No. Options	Exercise price	Grant date	Vesting date	Expiry date
1,000,000	\$0.105	20/11/14	20/11/15	20/11/18
1,000,000	\$0.105	20/11/14	20/11/16	20/11/18
1,000,000	\$0.105	20/11/14	20/11/17	20/11/18

The other terms of the Options are:

- (1) The options are only capable of being exercised from the date on which they vest up to and including the expiry date.
- (2) Should the Director cease to be a director or employee of Arafura, all unexercised options will lapse (whether they have vested or not).
- (3) If the Director is an executive director and the Director is dismissed from employment for misconduct from Arafura, then all unexercised options will lapse (whether they have vested or not).
- (4) If the Director is an executive director and the Director's employment is terminated by Arafura for any other reason, then all unexercised options will lapse (whether they have vested or not) unless the Board decides otherwise.
- (5) The options are exercisable by notifying the Company in writing specifying the number of options being exercised and delivering the notice, together with payment for the number of shares in respect of which the options are exercised, to the registered office of the Company.
- (6) Options will not be granted Official Quotation for trading on the ASX.
- (7) The options may not be transferred or otherwise disposed of in whole or part at any time prior to expiry.
- (8) Within 14 days after the receipt of a properly executed notice of exercise and application monies the company will allot and issue the number of shares specified in the notice.
- (9) The Company will apply for Official Quotation from the ASX of the shares allotted and issued pursuant to the exercise of the options.
- (10) The options do not confer the right to participate in new issues of capital during the exercise period. The Company will give not less than 10 Business Day's notice to the Officer to exercise his options prior to the date of determining shareholders entitlements for any new issues of capital that occur during the option exercise period.
- (11) In the event of any reorganisation (including consolidation, subdivision, reduction or return of capital) of the share capital of the Company, the options are to be reorganised as required by the Listing Rules.
- (12) If an entity (as that term is defined in the Corporations Act) acquires 90% of the shares on issue in the Company and has the ability to compulsorily acquire the remainder of the shares on issue pursuant to Part 6A.1 of the Corporations Act, all options that have not yet vested will immediately vest and the options will be deemed to expire on the date which is the earlier of 3 months from the date of vesting and the expiry date.
- (13) All options may be exercisable by the option holder:
 - (1) during a bid period; or
 - (2) at any time after a change of control event has occurred; or
 - (3) on application under section 411 of the Corporations Act, if a court orders a meeting to be held concerning a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company.

ANNEXURE C - DIRECTORS' INTERESTS

As at the date of this Notice of Meeting, the Directors held the following interests:

Related Party	Arafura shares	Arafura quoted options	Arafura unquoted options
Mr Gavin Lockyer	334,014 (indirect)	Nil	2,930,000 (1) (indirect)
Mr Ian Kowalick	577,007 (indirect)	Nil	Nil
Mr Chris Tonkin	100,000 (direct)	Nil	750,000 (direct)
Mr Terry Grose	20,000 (direct)	Nil	Nil
Ms Shasha Lu	Nil	Nil	1,000,000 (direct)

(1) This Explanatory Memorandum sets out that a further 3,000,000 Options will be granted to Mr. Lockyer if Shareholder approval is obtained under Resolution 4. As at the date of this report Mr. Lockyer has an indirect interest in 2,930,000 unlisted options.

ANNEXURE D - 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 no later than 48 hours before the time appointed for the holding of this Meeting, **that is by 10 a.m WST on 18 November 2014** 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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ARAFURA RESOURCES LIMITED

ABN: 22 080 933 455

REGISTERED OFFICE:
LEVEL 5
16 ST GEORGES TERRACE
PERTH WA 6000

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SHARE REGISTRY:
Security Transfer Registrars Pty Ltd
All Correspondence to:
PO BOX 535, APPLECROSS WA 6953
AUSTRALIA
770 Canning Highway, APPLECROSS WA 6153
AUSTRALIA
T: +61 8 9315 2333 F: +61 8 9315 2233
E: registrar@securitytransfer.com.au
W: www.securitytransfer.com.au

Code: ARU

Holder Number:

PROXY FORM

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCK BROKER OR LICENSED PROFESSIONAL ADVISOR.

SECTION A: Appointment of Proxy

I/We, the above named, being registered holders of the Company and entitled to attend and vote hereby appoint:

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The Chairperson of the meeting

OR

or failing the person named, or if no person is named, the Chairperson of the meeting, as my/our Proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the Proxy sees fit) at the Annual General Meeting of the Company to be held at 10.00am on Thursday 20 November 2014 at Duxton Hotel, Room: Duxton 3, 1 St George's Terrace Perth Western Australia and at any adjournment of that meeting.

Chairperson authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairperson of the meeting as my/our Proxy (or if the Chairperson becomes my/our proxy by default), I/we expressly authorise the Chairperson to exercise my/our proxy on Resolution 1 and Resolution 4 as the Chairperson sees fit (except where I/we have indicated a different voting intention below) even though Resolution 1 and Resolution 4 are connected directly or indirectly with the remuneration of a member of the key management personnel of the Company, which includes the Chairperson. If the Chairperson of the meeting is (or becomes) your proxy you can direct the Chairperson to vote for or against or abstain from voting on Resolution 1 and Resolution 4 by marking the appropriate box in section B below.

SECTION B: Voting Directions

Please mark "X" in the box to indicate your voting directions to your Proxy. The Chairperson of the meeting intends to vote undirected proxies in FAVOUR of all the resolutions. In exceptional circumstances, the Chairperson of the meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

RESOLUTIONS

	FOR	AGAINST	ABSTAIN*
1. Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Re-election of Terry Grose as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Re-election of Shasha Lu as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Approval of grant of options to Gavin Lockyer, Managing Director and CEO of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If no directions are given my proxy may vote as the proxy thinks fit or may abstain (to the extent permitted by law). * If you mark the Abstain box for a particular item, you are directing your Proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SECTION C: Signature of Security Holder(s)

This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Security Holder

Sole Director & Sole Company Secretary

Security Holder 2

Director Secretary

Security Holder 3

Director/Company Secretary

Proxies must be received by Arafura Resources Ltd no later than 10.00am on Tuesday 18 November 2014

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My/Our contact details in case of enquiries are:

Name:

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Number:

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1. NAME AND ADDRESS

This is the name and address on the Share Register of the Company. If this information is incorrect, please make corrections on this form. Shareholders sponsored by a broker should advise their broker of any changes. Please note that you cannot change ownership of your shares using this form.

2. APPOINTMENT OF A PROXY

If you wish to appoint the chairperson of the Meeting as your Proxy please mark "X" in the box in Section A. Please also refer to Section B of this proxy form and ensure you mark the box in that section if you wish to appoint the Chairperson as your Proxy. If the person you wish to appoint as your Proxy is someone other than the Chairperson of the Meeting please write the name of that person in Section A. If you leave this section blank, or your named Proxy does not attend the meeting, the Chairperson of the Meeting will be your Proxy. A Proxy need not be a shareholder of the Company.

3. DIRECTING YOUR PROXY HOW TO VOTE

To direct the Proxy how to vote place an "X" in the appropriate box against each item in Section B. Where more than one Proxy is to be appointed and the proxies are to vote differently, then two separate forms must be used to indicate voting intentions.

4. APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two (2) persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second Proxy, an additional Proxy form may be obtained by contacting the Company's share registry or you may photocopy this form.

To appoint a second Proxy you must:

- On each of the Proxy forms, state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each Proxy may exercise, each Proxy may exercise half of your votes; and
- Return both forms in the same envelope.

5. SIGNING INSTRUCTIONS

Individual: where the holding is in one name, the Shareholder must sign.

Joint Holding: where the holding is in more than one name, all of the Shareholders must sign.

Power of Attorney: to sign under Power of Attorney you must have already lodged this document with the Company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the Company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the Company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director may sign alone. Otherwise this form must be signed by a Director jointly with either another Director or Company Secretary. Please indicate the office held in the appropriate place.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be lodged with the Company before the meeting or at the registration desk on the day of the meeting. A form of the certificate may be obtained from the Company's share registry.

6. LODGEMENT OF PROXY

Proxy forms (and any Power of Attorney under which it is signed) must be received by Arafura Resources Ltd no later than the date and time stated on the form overleaf. Any Proxy form received after that time will not be valid for the scheduled meeting.

Arafura Resources Ltd

Postal Address	PO BOX 5773 St Georges Terrace Perth, WA, 6831
Street Address	Level 5, 16 St Georges Terrace Perth, WA, 6000
Facsimile	+61 8 9221 7966
Email	invest@arultd.com

PRIVACY STATEMENT

Personal information is collected on this form by Security Transfer Registrars Pty Ltd as the registrar for securities issuers for the purpose of maintaining registers of security holders, facilitating distribution payments and other corporate actions and communications. Your personal details may be disclosed to related bodies corporate, to external service providers such as mail and print providers, or as otherwise required or permitted by law. If you would like details of your personal information held by Security Transfer Registrars Pty Ltd or you would like to correct information that is inaccurate please contact them on the address on this form.