ABN 22 080 933 455

ARAFURA
RESOURCES LIMITED

NOTICE OF ANNUAL GENERAL MEETING
and
EXPLANATORY MEMORANDUM TO SHAREHOLDERS

A PROXY FORM IS ENCLOSED

Date of Meeting
25 November 2010

Time of Meeting
2.30 pm WST

Place of Meeting
Plaza Ballroom 1
Hyatt Hotel - Perth
99 Adelaide Terrace
Perth, Western Australia

Please read the Notice and Explanatory Memorandum carefully.

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

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Arafura Resources Limited

ABN 22 080 933 455

Notice of Annual General Meeting

Notice is given that the 2010 Annual General Meeting of the Company will be held at Plaza Ballroom 1, Hyatt Hotel - Perth, 99 Adelaide Terrace, Perth, Western Australia, on 25 November 2010 at 2.30 pm WST.

Agenda

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 financial statements of the Company for the year ended 30 June 2010, consisting of the Profit and Loss Statement, Balance Sheet, report of the Company and the reports of the Directors and auditors for the year ended 30 June 2010.

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 2010 be adopted."*

Resolution 2 – Re-election of Ian Laurance

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

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

Resolution 3 – Re-election of Terry Jackson

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

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

Resolution 4 – Approval of issue of Options under Option Plan

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

> *"That, for the purposes of Exception 9 in listing rule 7.2 and for all other purposes, the shareholders of the Company approve the issue of options under the Arafura Resources Limited Option Plan, a summary of which is set out in the Explanatory Statement accompanying the notice of meeting."*

Resolution 5 – Approval of grant by Arafura of Options to Alex Losada-Calderon, Director 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 ASX Listing Rules and for all other purposes, approval is given for Arafura to grant Alex Losada-Calderon 1,100,000 Options on the terms and conditions set out in the Explanatory Memorandum."*

Resolution 6 – Approval of grant by Arafura of Options to Shasha Lu, Director 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 ASX Listing Rules and for all other purposes, approval is given for Arafura to grant Shasha Lu 600,000 Options on 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.

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, Company Shares will be taken to be held by the persons who are the registered holders at **5.00 pm WST on 23 November 2010**. Accordingly, Company Share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

Voting Exclusions

The Company will disregard:

1. any votes cast on Resolution 4 by a director (except a director who is ineligible to participate in the Company's Option Plan) and any of their associates,
2. any votes cast on Resolution 5 by Mr. Losada-Calderon and any of his associates,
3. any votes cast on Resolution 6 by Ms. Lu and any of her associates,

unless the vote is cast in the following circumstances:

(a) by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

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

How to vote

You may vote by attending the meeting in person, by proxy or by authorised representative.

A corporate shareholder may also appoint a corporate representative.

Voting in person

To vote in person, attend the meeting on the date and at the place set out above. The meeting will commence at **2.30 pm WST on 25 November 2010.**

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.

A Proxy Form accompanies this Notice and to be effective must be received at the Company's registered office:

The Company Secretary
Arafura Resources Limited
Level 5, 16 St Georges Terrace
PERTH WA 6000

OR by facsimile: (08) 9221 7966 (Australia) or + 61 8 9221 7966 (International)

by no later than **2.30 pm WST on 23 November 2010**.

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 Kendalls Audit & Assurance (WA) Pty Ltd if the questions are relevant to the content of BDO Kendall's audit report or the conduct of its audit of the Company's financial report for the period ended 30 June 2010. Relevant written questions for BDO Audit (WA) Pty Ltd must be received by mail at the registered office of the Company (PO Box 3047, Adelaide Terrace, Perth WA 6832) or by facsimile, facsimile number +61 8 9221 7966 no later than **5.00 pm WST on 23 November 2010**.

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 22nd day of October 2010

Gavin Lockyer
Company Secretary

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Arafura Resources Limited
ABN 22 080 933 455

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 2010 (including the financial statements, Directors' report and Auditor's report for the financial year ended 30 June 2010) is available for review by members at www.arafuraresouces.com.au and will be tabled at the Meeting. There is no formal resolution to accept the financial statements and reports, but provision will be made to members to question the Directors and the Auditor should they wish to do so.

1 Financial Report

The Corporations Act requires the following reports in respect of the year ended 30 June 2010 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. However, shareholders will be given ample opportunity to raise questions or comments of the Company's management.

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.

Also, a reasonable opportunity will be given to the Company's shareholders as a whole at the meeting to ask the Company's auditor 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 the financial statements and the independence of the auditor in relation to the conduct of the audit.

2 Resolution 1 – Remuneration Report

The Remuneration Report of the Company for the financial year ending 30 June 2010 is set out in the Directors' Report on pages 27 to 38 of the Company's Annual Report 2010.

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

There will be an opportunity for the Company's shareholders at the meeting to comment on and ask questions about the Remuneration Report. The vote on Resolution 1 will be advisory only and will not bind the Company or the Directors. However, the Directors will take the outcome of the vote into consideration when reviewing remuneration practices and policies.

The Directors recommend that the Company's shareholders vote in favour of Resolution 1.

3 Resolution 2 - Re-election of Ian Laurance as Director

Ian Laurance 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. Laurance appears below:

Ian Laurance AM is an economics graduate from the University of Western Australia.

He is currently the Chairman of the publicly listed development company, Axiom Properties Limited (ASX:AXI).

Mr. Laurance represented the electorate of Gascoyne in the Western Australian Parliament for 14 years. He is a former State Government Minister and at various times held the portfolios of Housing, Tourism, Regional Development, Lands and Conservation.

In recent years, Mr. Laurance has been the Chairman of the Western Australian Sports Centre Trust (1993 – 2003) and Chairman of the Midland Redevelopment Authority (2000 – 2004). Both these organisations are Western Australian Statutory Authorities. Mr. Laurance has also chaired a number of other State and Commonwealth organisations.

He is also Chairman of the not-for-profit organisation, Perth Convention Bureau and in a voluntary capacity he has been a long-serving Chairman of the AnglicareWA Winter Appeal.

In 2006, Mr. Laurance was made a Member of the Order of Australia (AM).

Mr. Laurance joined the Arafura Board in 2007 and has been Chairman since 2008. He is a highly experienced and successful Chairman in a broad range of roles including public companies.

4 Resolution 3 - Re-election of Terry Jackson as Director

Terry Jackson 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. Jackson appears below:

Terry Jackson AM, KLJ, FAICD is a Western Australian Industrialist with a private group of companies that has interests in innovative manufacturing, intellectual property development and vineyards. Mr Jackson has an electronic engineering background, working for seven years in the communications industry, thereafter seven years in management sales and service of industrial and scientific research equipment.

Self employed for the past thirty eight years he has had business relationships with many major international corporations including research partnerships with Exxon, Toyota, Johnson Controls and Austria Steel. He is a Foundation Fellow of The Australian Institute of Company Directors.

5 Resolution 4 – Approval of issue of Options under the Option Plan

The Company's Option Plan was approved by shareholders for the purposes of exception 9(b) of Listing Rule 7.2 on 23 November 2007. Under Listing Rule 7.2 an approval for exception 9(b) expires every 3 years, therefore the previous approval will expire on 23 November 2010.

Accordingly, the Company seeks shareholder approval for the issue of options under the Plan under exception 9(b) of Listing Rule 7.2 again, in order to allow the Company to continue to issue Options under the Plan without limiting the ability of the Company to issue securities under Listing Rule 7.1.

Listing Rule 7.1 provides that a company must not, without prior approval of shareholders, issue securities if the securities will in themselves or when aggregated with the securities issued by a company during the previous 12 months, exceed 15% of the number of securities on issue at the commencement of that 12 month period, unless such an issue of securities falls within one of the exceptions set out in Listing Rule 7.2.

Exception 9(b) of Listing Rule 7.2 provides that equity securities may be issued under an employee incentive scheme that has been approved by shareholders for that purpose within the last three years.

The purpose of the Plan is to give employees of the Company, other than an employee who is also a Director, an opportunity, in the form of options, to subscribe for Shares in the Company. The Directors consider the Plan enables the Company to retain and attract skilled and experienced employees and provide them with the motivation to make the Company more successful.

The Company has issued 10,225,000 Options under the Plan since 23 November 2007, being the date the issue of options under the Plan was last approved by shareholders:

A summary of the term of the Plan is set out in **Annexure B**.

6 Resolution 5 – Grant by Arafura of Options to Mr Alex Losada-Calderon, Director of the Company

6.1 Introduction

Arafura seeks to grant Options to the following person who is a director of the Company:

- Alex Losada-Calderon – 1,100,000 Options.

6.2 Approvals Required

Approval of Arafura's Shareholders is sought for the purposes of Chapter 2E of the Corporations Act and Listing Rule 10.11 for Arafura to grant the above Options.

6.3 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, the director named above is a related party of Arafura.

Arafura is seeking shareholder approval for the purposes of Chapter 2E.

6.4 ASX 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 applies, or shareholder approval is obtained.

Arafura is seeking shareholder approval for the purposes of Listing Rule 10.11.

6.5 Information Requirements

The following information is provided to Arafura Shareholders in accordance with the requirements of section 219 of the Corporations Act and Listing Rule 10.13:

The related party

The related party is Alex Losada-Calderon, a non-executive director.

Proposed financial benefit

The proposed financial benefit to be given is 1,100,000 Options, the terms of which are set out in Annexure C.

The Options granted will be for nil consideration.

The purpose of the grant of Options is to provide an incentive to Mr Losada-Calderon to provide dedicated commitment and effort to the Company, whilst preserving the cash reserves of the Company. The Company acknowledges that the grant of the Options to a Non-Executive Director is contrary to recommendation 8.2 of the ASX Corporate Governance Principles and Recommendations. However the non-interested Directors (that is, excluding Mr Losada-Calderon) believe that the grant of the Options is appropriate and reasonable in the circumstances because:

(1) the Company is in a critical phase of its development and the Company needs to attract high calibre individuals with the necessary experience and qualifications, in a time when the labour market is tight;

(2) the payment of monetary fees alone is not an adequate incentive to enable the Company to attract and keep these high calibre individuals;

(3) the Option exercise price is set at a significant premium to the Company's current share price, providing incentive to the directors to maximise their efforts to achieve success for the Company and its shareholders and provide an incentive to retain their position as director because the Options will lapse if the director ceases to be a director of the Company; and

(4) the grant of the Options (including the amount and value) forms part of a reasonable remuneration package.

Recommendation of each Arafura Director

The non interested Directors, Messrs Laurance, Ward, Kowalick, Muir, Jackson and Ms Lu each recommend to shareholders that they vote in favour of Resolution 5, for reasons (1) to (4) set out above.

Mr Losada-Calderon has not made a recommendation to shareholders because of his interest in the outcome of the resolution.

Interests of Arafura Directors in outcome of resolution

The non interested Directors, Messrs Laurance, Ward, Kowalick, Muir, Jackson and Ms Lu do not have an interest in the outcome of the resolution.

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

Mr. Losada-Calderon has an interest in the outcome of Resolution 5 in that he will receive 1,100,000 Options if Resolution 5 is passed.

6.6 Reasons for Giving the Financial Benefit

The reason the financial benefit is being given is to provide an incentive to Mr. Losada-Calderon to provide dedicated commitment and effort to the Company, whilst preserving the cash reserves of the Company.

6.7 Terms and conditions of Options

The terms of the options are set out in **Annexure C**.

6.8 Total Remuneration Package for Mr. Losada-Calderon

The total Arafura remuneration package for Mr. Losada-Calderon comprises:

(1) director's fees of $52,500 pa; and

(2) a superannuation contribution of $6,300pa.

6.9 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 290,640,342. If all of the Options are exercised the dilution effect will be approximately 0.378 percent (based on the total number of shares on issue as at the date of the Notice of Meeting).

6.10 Date for Granting Options

If the Resolution is passed the Options will be granted by 23 December 2010, being no later than 1 month after the date of the meeting.

6.11 Intended Use of Funds Raised from Grant of Options

No funds will be raised from the grant of the Options because the issue price of the Options is nil.

7 Resolution 6 – Grant by Arafura of Options to Ms Shasha Lu, Director of the Company

7.1 Introduction

Arafura seeks to grant Options to the following person who is a director of the Company:

- Ms. Shasha Lu – 600,000 Options.

7.2 Approvals Required

Approval of Arafura's Shareholders is sought for the purposes of Chapter 2E of the Corporations Act and Listing Rule 10.11 for Arafura to grant the above Options.

7.3 Information Requirements

The following information is provided to Arafura Shareholders in accordance with the requirements of section 219 of the Corporations Act and Listing Rule 10.13:

The related party

The related party is Ms Shasha Lu, an executive director.

Proposed financial benefit

The proposed financial benefit to be given is 600,000 Options, the terms of which are set out in Annexure C.

The Options granted will be for nil consideration.

The purpose of the grant of Options is to provide an incentive to Ms Lu to provide dedicated commitment and effort to the Company, whilst preserving the cash reserves of the Company. The non-interested Directors (that is, excluding Ms Lu) believe that the grant of the Options is appropriate and reasonable in the circumstances because:

(1) the Company is in a critical phase of its development and the Company needs to attract high calibre individuals with the necessary experience and qualifications, in a time when the labour market is tight;

(2) the payment of monetary fees alone is not an adequate incentive to enable the Company to attract and keep these high calibre individuals;

(3) the Option exercise price is set at a significant premium to the Company's current share price, providing incentive to the directors to maximise their efforts to achieve success for the Company and its shareholders and provide an incentive to retain their position as director because the Options will lapse if the director ceases to be a director of the Company; and

(4) the grant of the Options (including the amount and value) forms part of a reasonable remuneration package.

Recommendation of each Arafura Director

The non interested Directors, Messrs Laurance, Ward, Kowalick, Muir, Jackson and Losada-Calderon each recommend to shareholders that they vote in favour of Resolution 6, for reasons (1) to (4) set out above.

Ms. Lu has not made a recommendation to shareholders because of her interest in the outcome of the resolution.

Interests of Arafura Directors in outcome of resolution

The non interested Directors, Messrs Laurance, Ward, Kowalick, Muir, Jackson and Losada-Calderon do not have an interest in the outcome of the resolution.

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

Ms. Lu has an interest in the outcome of Resolution 6 in that she will receive 600,000 Options if Resolution 6 is passed.

7.4 Reasons for Giving the Financial Benefit

The reason the financial benefit is being given is to provide an incentive to Ms. Lu to provide dedicated commitment and effort to the Company, whilst preserving the cash reserves of the Company.

7.5 Terms and conditions of Options

The terms of the options are set out in **Annexure C**.

7.6 Total Remuneration Package for Ms. Lu

The total Arafura remuneration package for Ms. Lu comprises:

(1) salary of $236,716 pa;

(2) superannuation contributions of $28,406 pa; and

(3) a health and well-being allowance of $1,000 pa.

7.7 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 290,640,342. If all of the Options are exercised the dilution effect will be approximately 0.206 percent (based on the total number of shares on issue as at the date of the Notice of Meeting).

7.8 Date for Granting Options

If the Resolution is passed the Options will be granted by 23 December 2010, being no later than 1 month after the date of the meeting.

7.9 Intended Use of Funds Raised from Grant of Options

No funds will be raised from the grant of the Options because the issue price of the Options is nil.

8 Resolutions 5 and 6 - General Information Requirements relating to Grant of Options

The following general information is provided to Arafura Shareholders in relation to the granting of the options under Resolutions 5 and 6.

(a) Valuation of Options

Ernst & Young has provided an indicative valuation of the proposed options, based on the binomial option valuation model, and has arrived at a valuation of between $0.424 and $0.635 per option, with a preferred value of **$0.529** per option, based on a valuation date of 22 September 2010.

The valuation is based on the following data:

Input Details	Input	Basis for Input Value
Underlying Share Price	$0.78 to $1.18 with $0.98 being the share price as at 22 September 2010	Based on Company's underlying share price as at 22 September 2010 of $0.98 and a range of minus 20% ($0.78) and plus 20% ($1.18).
Option Exercise Price	$1.02 to $1.53, with $1.27 being the option exercise price using the share price as at 22 September 2010	VWAP of Arafura's share price for the 5 trading days ending on the trading day immediately prior to the date of grant of the options. For the purposes of the valuation, the input value used was $1.27 being the option exercise price using the share price as at 22 September 2010, together with: (1) option exercise price of $1.02 using the share price as at 22 September 2010 minus 20%; and (2) option exercise price of $1.53 using the share price as at 22 September 2010 plus 20%.
Risk Free Rate	4.74%	Implied yield on zero-coupon Australian Government bonds at 22 September 2010 continuously compounded, corresponding to the expected life of the Options.
Expected Option Grant Date	25 November 2010	Expected Date of shareholder approval.
Vesting Date	24 November 2011	Terms and conditions of the Options.
Expiry Date	5pm Perth time on 24 November 2013	Terms and conditions of the Options.
Expected Life of Options	2.5 years	Assumption based on terms and conditions of the Options, including vesting date and expiry date.
Expected Volatility	100%	Weekly historical volatility corresponding to the expected life of the Options.

Input Details	Input	Basis for Input Value
Dividend Yield	0.00%	Continuously compounded rate, based on total dividends paid in previous twelve months divided by closing share price on 21 July 2008.

The above valuation is based on data available as at 22 September 2010.

The value of Mr. Losada-Calderon's 1,100,000 options, based on the preferred value of $0.529 per option, is $581,680.

The value of Ms. Lu's 600,000 options, based on the preferred value of $0.529 per option, is $317,280.

(b) Arafura's 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: $1.74 on 21 October 2010.

Lowest: $0.38 on 26 May 2010.

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 $1.63 on 22 October 2010.

(c) Tax Consequences including Fringe Benefits Tax

There are no taxation consequences for Arafura resulting solely from the grant of the Options, including no fringe benefits tax.

(d) Opportunity Costs and Benefits Foregone

The Board does not consider that there are any opportunity costs to the Company, or benefits foregone by the Company, as a result of granting the Options.

(e) 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.

Arafura Resources Limited

ABN 22 080 933 455

Annexure A

Definitions

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

ASIC means the Australian Securities and Investments Commission.

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

Board means the board of Directors.

Company means Arafura Resources Limited ABN 22 080 933 455.

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

Director means a director of the Company.

ECE Nolans means ECE Nolans Investment Company Pty Ltd ACN 137 354 888, an entity which is a substantial shareholder in the Company and which is controlled by East China Mineral Exploration & Development Organisation.

Explanatory Memorandum means the explanatory memorandum to the Notice.

Listing Rules means the listing rules of ASX.

Meeting has the meaning given in the introductory paragraph of the Notice.

Notice means this Notice of Annual General Meeting.

Proxy Form means the proxy form attached to the Notice.

Remuneration Report means the report commencing on page 27 of the Company's Annual Report 2010.

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.

Summary of Rules of the Option Plan

Participants in the Plan

The Board may, at its absolute discretion, invite persons ("Participants") who are full-time or part-time employees (including executive directors) and non executive directors of the Company or any subsidiary to apply for a specified number of options.

Upon receipt of such an invite, a Participant may apply for all or part of the number of options specified in the invitation.

Unless the Board determines otherwise, no payment is required for a grant of options.

Grant of Options

Upon receiving a signed application for options, the Board may in its sole discretion and only where the Participant remains an employee or non-executive director of the Company, grant the options to the Participant on the terms set out in the Plan and upon such additional conditions as the Board determines.

Options can only be transferred with the Board's consent or by force of law.

The Board must ensure that every issue of options complies with any applicable legislation and the Listing Rules, and that all approvals as are required are obtained prior to the issue.

Exercise of options

The options may be exercised in the form or manner determined by the Board, and except as provided otherwise in the Plan rules, are only capable of being exercised where the exercise conditions (if any) have been met.

Circumstances where options are capable of being exercised notwithstanding the fact that exercise conditions may not have been met include the death of the option holder, if the option holder ceases to be an employee or non-executive director of the Company, or where there is a takeover, compromise or arrangement affecting the Company.

If, in the opinion of the Board, an optionholder acts fraudulently or dishonestly or in breach of their obligations to the Company, then the Board may deem any unexercised options of the optionholder to have lapsed.

An unexercised option will lapse upon the first to occur of:

• any expiry date specified by the Board;

• the option lapsing on the purported transfer of the option other than in accordance with the Plan rules;

• the option lapsing in accordance with the rules relating to the death of the optionholder, their cessation as an employee or non-executive director of the Company or for fraudulent or dishonest actions;

• the option lapsing in accordance with the Plan rules relating to a takeover, scheme or winding up affecting the Company ;

• the failure to meet the option's exercise condition in the prescribed period; or

• the 10 year anniversary of the date the option was granted.

Issue of shares

The Company will issue or procure the transfer of the number of shares in respect of which an option has been exercised within 15 days of that exercise. All Shares allotted on exercise of options will rank equally with other ordinary shares of the Company. There are no transfer restrictions on Shares allotted under the Plan, unless the sale by the holder of the Shares issued on exercise of the options would require a disclosure document.

Quotation of options on ASX will not be sought. However, the Company will apply to the ASX for official quotation of Shares issued on the exercise of options.

Takeover, scheme of arrangement and winding up

If pursuant to a takeover bid:

• an offeror and its associates who previously had voting power of less than 50% in the Company obtain voting power of more than 50%; or

• an offeror and its associates who previously had voting power of more than 50% increase their voting power,

the Board must notify each optionholder of the success of the takeover bid, and the notice must inform the optionholder that their options must be exercised within 30 days of the date of the notice otherwise they will lapse.

Likewise, the Board may, in its absolute discretion, permit the exercise of the options upon certain occurrences including a compromise, scheme of arrangement, selective capital reduction or winding up involving the Company.

Annexure C

Terms of the Options to be granted to Mr. Losada-Calderon and to Ms. Lu:

The key terms of the Options are:

Exercise Price	**Vesting Date**	**Expiry Date**
15 trading day VWAP ending on the day immediately prior to the date of grant of the options, plus 30%	24 November 2011	5pm Perth time on 24 November 2013

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 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 Days 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 compulsory 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 optionholder:

(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.

Arafura Resources Limited

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Annexure D

Directors Interests

Director	Arafura Shares	Arafura Quoted Options	Arafura Unquoted Options
Ian James Lawrence	20,000 (direct) 100,000 (indirect)	Nil	2,000,000 (indirect)
Stephen Ward	145,000 (direct)	Nil	1,500,000 (direct)
Irvin (Mick) Graham Muir	2,683,501 (direct) 483,500 (indirect)	Nil	Nil
Ian John Kowalick	550,000 (indirect)	Nil	1,500,000 (indirect)
Terry Roy Jackson	5,256,535 (indirect)	Nil	1,500,000 (indirect)
Shasha Lu	Nil	Nil	## 500,000 (indirect)
Alex Losada-Calderon	Nil	Nil	# Nil

This Explanatory Memorandum sets out that 1,100,000 options which will be granted to Mr. Losada-Calderon if shareholder approval is obtained under Resolution 5.

This Explanatory Memorandum sets out that 600,000 options which will be granted to Ms. Lu if shareholder approval is obtained under Resolution 6.

Arafura Resources Limited

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Proxy Form

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 General Meeting, **that is by 2.30 pm WST on 23 November 2010** 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.

10. It is the Chairman's intention to vote undirected proxies in favour of the resolutions.

Arafura Resources Limited

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Proxy Form

The Company Secretary
Arafura Resources Limited

By delivery:
Level 5
16 St George's Terrace
PERTH WA 6000

By post:
PO Box 3047 Adelaide Terrace
PERTH WA 6832

By facsimile:
Australia – (08) 9221 7966
International - +61 8 9221 7966

I/We (name of shareholder) ....

of (address) ....

being a member/members of Arafura Resources Limited hereby APPOINT

(name) ....

of (address) ....

and/or failing him(name) ....

of (address) ....

or failing that person then the Chairman of the Annual General Meeting as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on **25 November 2010 at 2.30 pm WST** at the **Plaza Ballroom 1 Hyatt Hotel – Perth, 99 Adelaide Terrace, Perth, Western Australia** and at any adjournment of the meeting.

Should you so desire to direct the Proxy how to vote, you should place a cross in the appropriate box below:

I/We direct my/our Proxy to vote in the following manner:

	For	Against	Abstain
Resolution 1: Remuneration Report	☐	☐	☐
Resolution 2: Re-election of Director – Mr. Laurance	☐	☐	☐
Resolution 3: Re-election of Director – Mr. Jackson	☐	☐	☐
Resolution 4: Approval of issue of options under the Option Plan	☐	☐	☐
Resolution 5: Issue of 1,100,000 Options to Mr. Losada-Calderon, Director	☐	☐	☐
Resolution 6: Issue of 600,000 Options to Ms. Lu, Director	☐	☐	☐

OR

The Chairman intends to vote undirected proxies in favour of all resolutions.
If the Chairman of the meeting is appointed as your proxy, or may be appointed by default, and you do **not** wish to direct your proxy how to vote as your proxy in respect of a resolution,

please place a mark in the box ☐

Arafura Resources Limited

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Proxy Form

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of the interest.

YOU MUST EITHER MARK THE BOXES DIRECTING YOUR PROXY HOW TO VOTE OR MARK THE BOX INDICATING THAT YOU DO NOT WISH TO DIRECT YOUR PROXY HOW TO VOTE, OTHERWISE THIS APPOINTMENT OF PROXY FORM WILL BE DISREGARDED.

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.

This Proxy is appointed to represent___% of my voting right, or if 2 proxies are appointed Proxy 1 represents ___% and Proxy 2 represents ___% of my total votes.

Note, if a specific proportion of the shareholder's voting rights is not specified then each proxy may exercise half of the shareholder's voting rights. My total voting right is __________shares

Signed this _____ day of ______________________ 2010

By:

IF THE SHAREHOLDER IS AN INDIVIDUAL OR JOINT HOLDER

Signature: ______________________________ Name: ___________________________________

Signature: ______________________________ Name: ___________________________________

IF THE SHAREHOLDER IS A COMPANY

Affix common seal (if required by Constitution)

____ ____

Director/Sole Director and Secretary Director/Secretary

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ARAFURA RESOURCES LIMITED

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Perth WA 6000 Australia

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