

**ASX
RELEASE**

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RARE EARTHS
PRODUCER
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Market Clarification

ARAFURA RESOURCES A\$90m CAPITAL RAISING ON TRACK

Australian rare earths company **Arafura Resources Limited (ASX: ARU)** (**Arafura** or **the Company**) wishes to confirm that the recently announced A\$90m capital raising program remains on track. Some media reports have incorrectly interpreted previous announcements from the company. Arafura announced on 29 October that it had successfully received firm commitments for an A\$90 million placement from institutional and sophisticated investors. The placement will settle in two tranches as follows:

- Tranche 1 of 43.7 million shares is due for settlement tomorrow (4 November 2010)
- Tranche 2 of 31.3 million shares is subject of shareholder approval at an Extraordinary General Meeting to be held in early December. The Notice of Meeting is currently undergoing regulatory review.

The A\$90 million is anticipated to be sufficient to fund the company's activities through to the Nolans Project Financing Stage which is envisaged late in 2011.

In addition to the A\$90 million placement announced above, Arafura's largest individual shareholder, the East China Exploration & Development Bureau ("ECE") was also offered the opportunity to acquire shares at the placement price to restore its shareholding to pre-placement levels.

ECE has notified Arafura that it has declined the offer, which would have also been subject to Foreign Investor Review Board and shareholder approvals.

If ECE had contributed funds, these would have been in addition to the current A\$90 million capital raising. As such, any funds from ECE would have been surplus to budgetary requirements and become a reserve. The potential contribution from ECE was not part of the A\$90 million sought to fund the budgeted work programs through to Nolans Project Financing.

Arafura's Managing Director and CEO, Dr Steve Ward commented, "We are very pleased to have secured the funds to take the company through to Nolans

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Project Financing (in part subject to shareholder approval). We also welcome onto our register new institutions which places us well for the future project financing. The presence of these institutions represents a tremendous vote of confidence in our Nolans Project and the company at large.

Unfortunately, ECE's decision not to participate in the capital raising (for the second successive capital raising this year) has been misinterpreted by certain parts of the media as leaving a gap in our future funding requirements. We want to give assurance that the announced A\$90 million to be raised from other investors is on track and will meet our budgeted forward work commitments through to Nolans Project Financing and also includes a resource drilling program to assess future expansion opportunities."

- ENDS -

Visit www.arafuraresources.com.au for information on the Nolans Project.

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