



NOTICE OF EXTRAORDINARY GENERAL MEETING and EXPLANATORY MEMORANDUM TO SHAREHOLDERS

A PROXY FORM IS ENCLOSED

Date of Meeting
9 December 2010

Time of Meeting
2.30 pm WST

Place of Meeting
Duxton 4 Meeting Room
Duxton Hotel,
1 St George's Tce
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.

Arafura Resources Limited

ABN 22 080 933 455

Notice of Extraordinary General Meeting

Notice is given that an Extraordinary General Meeting of the Company will be held at Duxton 4 Meeting Room, Duxton Hotel, 1 St George's Tce, Perth, Western Australia, on 9 December 2010 at 2.30 pm WST.

Agenda

Business

Resolution 1 – Approval of Previous Share Placement

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

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, approval is given for the placement of 43,695,000 shares to institutional investors and sophisticated investors which has occurred in accordance with the terms and conditions set out in the Explanatory Memorandum accompanying this Notice.”

Resolution 2 – Approval of Proposed Share Issue

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

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for a placement of 31,305,000 shares to institutional investors and/or sophisticated investors on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice.”

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 extraordinary general meeting, Company Shares will be taken to be held by the persons who are the registered holders at **5.00 pm WST on 7 December 2010**. Accordingly, Company Share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

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Notice of Extraordinary General Meeting

Voting Exclusions

The Company will disregard any votes cast:

1. on Resolution 1 by any person who participated in the share issue, or an associate of that person; and
2. on Resolution 2 by any person who may participate in the proposed share issue and a person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary shares), if Resolution 2 is passed, or an associate of that person,

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 the 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 9 December 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)

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Notice of Extraordinary General Meeting

by no later than **2.30 pm WST on 7 December 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.

By Order of the Board

Dated this 8th day of November 2010



Gavin Lockyer
Company Secretary

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 extraordinary 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.

1 Resolution 1 – Approval of Previous Share Placement

1.1 Introduction

Listing Rule 7.1 provides a restriction on the number of equity securities which the Company may issue in any 12 month rolling period, without having to obtain shareholder approval. The Company must not, without prior shareholder approval, issue, or agree to issue, equity securities greater than 15% of the Company's share capital in the previous 12 months (ignoring placements made under a Listing Rule exception or with shareholder approval).

Listing Rule 7.4 provides that an existing issue of shares, made without shareholder approval under Rule 7.1, is treated as having been made with approval for the purpose of Listing Rule 7.1 if shareholders approve that existing issue of shares.

On the 28th October 2010 the Company announced a placement of 75,000,000 shares at \$1.20 per share. The first tranche of 43,695,000 shares were issued on 4th November 2010. The second tranche of 31,305,000 shares are to be issued subject to shareholder approval in accordance with Resolution 2.

1.2 Share Placement

Arafura seeks shareholder approval under Listing Rule 7.4 for the placement of shares which have been issued by the Company.

1.3 Information Required by ASX Listing Rule 7.5

The Notice of Meeting is required to include the following details of the placement:

- (a) The total number of shares allotted totalled 43,695,000.
- (b) The Shares were issued on the 4th November 2010 at an issue price of \$1.20 per share to institutional investors and sophisticated investors as jointly managed and identified by BBY Limited and Bell Potter Securities Limited.
- (c) All shares issued were fully paid ordinary shares.
- (d) The funds raised, together with Arafura's existing cash reserves, will be used to fund:
 - Progression of the Nolans Project to the Project Financing stage including completion of the Bankable Feasibility Study and securing all regulatory approvals;
 - Completion of the technology demonstration work program;
 - Further resource definition drilling with the aim to significantly increase the current Nolans resource to gauge potential future production increase opportunities; and
 - General working capital requirements of the company
- (e) A voting exclusion statement is set out in the notice attached to this explanatory memorandum.

Arafura Resources Limited

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Explanatory Memorandum

1.4 Directors' Recommendation

The directors recommend that the shareholders vote in favour of Resolution 1 for the reasons set out in paragraph 1.3 (d) above.

2 Resolution 2 – Approval of Proposed Share Issue

2.1 Introduction

Listing Rule 7.1 provides a restriction on the number of equity securities which the Company may issue in any 12 month rolling period, without having to obtain shareholder approval. The Company must not, without prior shareholder approval, issue, or agree to issue, equity securities greater than 15% of the Company's share capital in the previous 12 months (ignoring placements made under a Listing Rule exception or with shareholder approval).

On the 28th October 2010 the Company announced a placement of 75,000,000 shares at \$1.20 per share. The first tranche of 43,695,000 shares were issued on 4th November 2010. The second tranche of 31,305,000 shares are to be issued subject to shareholder approval in accordance with Resolution 2.

2.2 Share Issue

Arafura seeks shareholder approval under Listing Rule 7.1 for the issue of shares to institutional investors and/or sophisticated investors.

2.3 Information Required by ASX Listing Rule 7.3

The Notice of Meeting is required to include the following details of the placement:

- (a) A maximum of 31,305,000 fully paid ordinary shares will be issued to sophisticated investors (for the purposes of sub-section 708(8) of the Corporations Act) and/or professional investors (for the purposes of sub-section 708(11) of the Corporations Act), which will include institutional investors.
- (b) The Shares are to be issued at \$1.20 per share.
- (c) All Shares will be allotted and issued on the third Business Day after the date of Shareholder approval.
- (d) The funds raised, together with Arafura's existing cash reserves, will be used to fund:
 - Progression of the Nolans Project to the Project Financing stage including completion of the Bankable Feasibility Study and securing all regulatory approvals.
 - Completion of the technology demonstration work program
 - Further resource definition drilling with the aim to significantly increase the current Nolans resource to gauge potential future production increase opportunities; and
 - General working capital requirements of the company
- (e) A voting exclusion statement is set out in the notice attached to this explanatory memorandum.

2.4 Directors' recommendation

The directors recommend that the shareholders vote in favour of Resolution 2 for the reasons set out in paragraph 2.3 (d) above.

Arafura Resources Limited

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Annexure A

Definitions

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

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.

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 Extraordinary General Meeting.

Proxy Form means the proxy form attached to the Notice.

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.

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 Extraordinary 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 7 December 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 Extraordinary General Meeting as my/our proxy to vote for me/us and on my/our behalf at the Extraordinary General Meeting of the Company to be held on **9 December 2010 at 2.30 pm WST at Duxton 4 Meeting Room, Duxton Hotel, 1 St George's Tce, 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: Approval of Previous Share Placement	☐	☐	☐
Resolution 2: Approval of Proposed Share Issue	☐	☐	☐

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

☐

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. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will **not** cast your votes on the resolutions and your votes will not be counted in calculating the required majority if a poll is called on the resolution.

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.

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Proxy Form

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

REGISTERED OFFICE

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Perth WA 6000 Australia

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