

ASX ANNOUNCEMENT: 21 November 2011**Capital Raising and Outlook**

Open Briefing with CEO & MD Dr Steve Ward



Arafura Resources Limited
Level 5/16 St Georges Tce
Perth WA 6000

Arafura Resources Limited (ASX: ARU) is an emerging rare earths company and aims to be a long-term supplier of rare earth oxides (REO) through the development of its 100% owned Nolans Project which includes the Nolans Bore Mine in Australia's Northern Territory and the proposed Whyalla Rare Earths Complex in South Australia.

Current Market Cap: \$190 million**In this Open Briefing®, CEO & MD Steve Ward discusses**

- Update on capital raising and company outlook
- Highlights of 7th international rare Earths Conference held in Hong Kong
- Positive long term outlook for rare earths price

Open Briefing interview:**openbriefing.com**

Arafura Resources Limited (ASX: ARU) is currently undertaking a capital raising via a 1 for 3 non-renounceable rights issue at \$0.60. With the issue due to close tomorrow, can you comment on shareholder take-up to date?

CEO & MD Steve Ward

We're seeking to raise funds to continue to advance our Nolans Project Bankable Feasibility Study (BFS) as per our stated program to complete the study and have project financing in place by the end of 2012. It's a challenging time to raise funds in the current volatile global financial markets but we were pleased when East China Mineral Exploration and Development Bureau, our single largest shareholder (17.5% holding) announced it would support the rights issue subject to receiving regulatory approvals in China and Australia. A number of directors including Ian Laurance, Ian Kowalick, Terry Jackson and I will also support the rights issue. We hope our shareholders are able to provide support as well.

openbriefing.com

Arafura recently attended the 7th International Rare Earths Conference held in Hong Kong. What insights and business leads did you gain from attending the conference?

CEO & MD Steve Ward

The conference provided a significant opportunity for us to advance our 100% owned Nolans Project. There is considerable ongoing interest in Arafura and its products and we're seen as an important player in the future of the rare earths industry as a major supplier from Nolans. Our 'All Australian' business model, where we'll mine the world class and strategic Nolans resource and add value in Australia by producing rare earths oxides at Whyalla, using technology developed in Australia, is particularly well regarded.

The conference is one of the premier yearly conferences for the industry. There were over 400 delegates with many major rare earth organisations represented by their senior management. I attended along with our senior managers, CFO Gavin Lockyer and Head of Sales and Marketing Gary Cianfichi.

The conference reflected the rapid changes taking place in the rare earths industry. Next year, 2012, will see the beginning of an exciting new supply era when new non-Chinese suppliers will begin production and reduce the world's dependence on China for rare earths.

The Chinese industry is going through a period of rationalisation. Production facilities must now comply with new environmental regulations and mine and plant inspections are in progress. There is widespread opinion that these measures will add to investment and operating costs and increase overall rare earth production costs. This will lead to higher rare earth prices.

The long term outlook for the industry remains very positive with strong demand and limited new supply sources.

The conference provided great opportunities for us to meet target customers, investors, financiers and industry commentators in a very concentrated timeframe. We advanced several discussions that were already in progress and provided an update of our achievements in the past 12 months and the outlook via a video that we screened in a private meeting session.

openbriefing.com

How will reports, including some from the Hong Kong conference, of falling rare earths prices affect Arafura Resources?

CEO & MD Steve Ward

Firstly, it's important to remember that the long term outlook for the industry is very positive. Rare earths are critical ingredients for many new high technology applications, including consumer goods energy efficiency products, and clean/green energy applications which are increasing at multiples of GDP growth each year.

During the 1990s and 2000s, China became the dominant supplier of rare earths for the world. In that period, the global industry went through very unusual market dynamics with material readily available from China at prices much lower than the era prior to Chinese supplies. Prices remained 'flat' in nominal terms for many years. As demand picked up after the Global Financial Crisis, Chinese supplies 'maxed-out' and export quotas were introduced to retain product for China. The global industry entered a new market period and supply/demand dynamics are influencing pricing in a much more normal market environment.

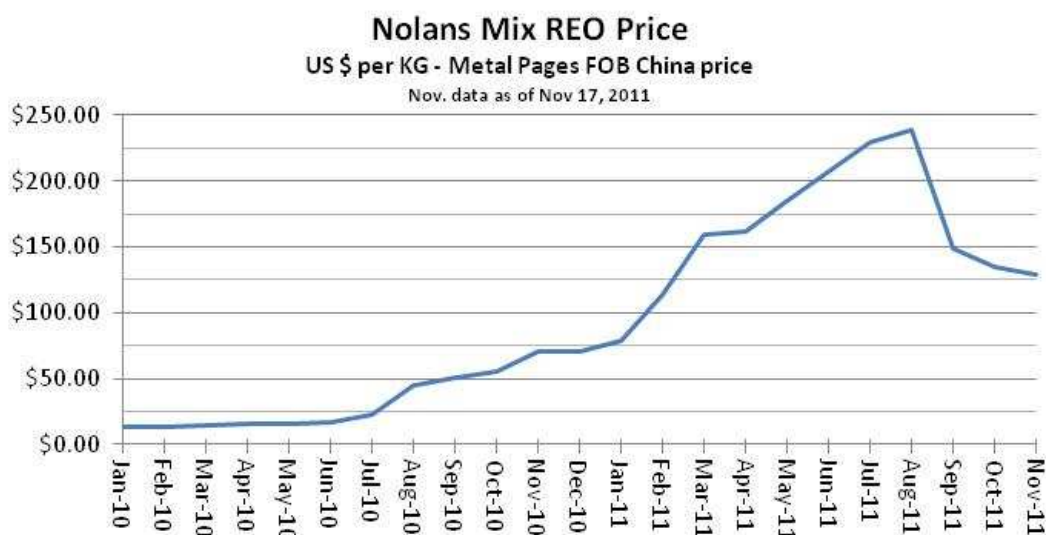
Rare earths prices rose significantly during 2010 and the first half of 2011. Prices have fallen in the second half of 2011 as demand has eased due to the weaker general global financial state

and some reduction of rare earths use particularly in the 'commodity' end of applications. The industry is still adjusting to this new era of market dynamics after almost two decades of atypical circumstances driven by supplies from China. Consequently, longer term pricing trends in a market with a very positive outlook have yet to fully emerge.

It is interesting to put the recent price dynamics into context. A typical long term price trend for a rare earth oxide can be seen below.



The more recent price trend for 1 kg of Nolans rare earth oxide mix can be seen below



Whilst prices have risen significantly, prices seen in the second half of 2010 and first half of 2011, in 2010 real terms are generally comparable with prices seen in the 1980s, prior to the Chinese supply era. Prices have fallen from 2011 highs, but are still at the same level as

February this year and remain notably higher than early in 2010 and in the prior Chinese supply era. The rate of price decline has also begun to ease.

In the new era of supply/demand dynamics, it's likely that prices will be subject to more movements both up and down than previously. As stated earlier, there is widespread opinion that the additional costs of pollution control in China will mean that prices will be higher than previously seen.

Forward prices lower than 2011 highs means that only world class rare earths projects with excellent economic fundamentals will succeed. Our Nolans Project is one of these. We've previously published financial analyses for our project and even at prices significantly lower than current prices, Nolans remains an economically viable project.

We believe that very few projects will make it into production this decade, with Nolans being one of the key new supply sources.

openbriefing.com

What is the outlook for Arafura over the next 12 to 18 months?

CEO & MD Steve Ward

The past 12 months have been transforming for the company. We're on a rapid journey from junior explorer, to becoming an operator of a mine and substantial chemical complex in Australia. We've recently published a video on our website which describes our progress and outlook.

The outlook is very exciting and 2012 promises to be another significant year in the company's history. We're well positioned to drive forward with our BFS. In the near term we'll finish our 2011 drill program and publish the results. We'll also complete our technology demonstration program from which we'll produce samples for full evaluation by our target customers.

openbriefing.com

Thank you Steve.

For more information about Arafura Resources Limited or to view their latest corporate video, visit www.arafuraresources.com.au or call Steve Ward on +61 8 6210 7666.

To receive future Open Briefings, please visit openbriefing.com

DISCLAIMER: Orient Capital Pty Ltd has taken all reasonable care in publishing the information contained in this Open Briefing®; furthermore, the entirety of this Open Briefing® has been approved for release to the market by the participating company. It is information given in a summary form and does not purport to be complete. The information contained is not intended to be used as the basis for making any investment decision and you are solely responsible for any use you choose to make of the information. We strongly advise that you seek independent professional advice before making any investment decisions. Orient Capital Pty Ltd is not responsible for any consequences of the use you make of the information, including any loss or damage you or a third party might suffer as a result of that use.