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## **CANCELLATION OF NON RENOUNCEABLE RIGHTS ISSUE**

Australian rare earths company **Arafura Resources Limited (ASX: ARU)** (**Arafura** or **the Company**) today advises that it has cancelled the Non Renounceable Rights Issue announced on 18 October 2011 and all monies will be refunded to those shareholders who took up their entitlements.

Volatility in global financial markets have seen the Arafura share price fall significantly below the rights offer price in the two weeks prior to the close. At a special Board meeting held today, the Directors determined it would be unreasonable to those shareholders who participated in the rights issue to be issued shares at 60c.

The Company currently has approximately \$45m which can service immediate needs. Arafura will appoint a leading corporate advisor to assist with identifying and executing all means to raise additional funds in the current environment. These funds will be required to complete the Nolans Project Bankable Feasibility Study.

Arafura's Managing Director and CEO, Dr Steve Ward, said "Despite the volatile financial markets and consequential fall in our share price to below the rights issue offer price, a pleasing number of shareholders were prepared to participate demonstrating strong underlying support for the Company. We appreciate their preparedness to contribute, but felt under current circumstances it wasn't appropriate to call on their support at this time. Opportunities for shareholders to participate in future capital raisings will certainly be considered in our future plans. We continue to explore all opportunities to augment our existing cash balances to complete the Nolans Project BFS on plan."

"It was evident at last week's International Rare Earth Conference in Hong Kong, that the outlook for the Rare Earths market is very positive. Ongoing discussions with prospective customers and possible strategic partners at the conference indicate that Arafura's 100% owned Nolans Project is clearly seen as one of the next significant producers of Rare Earth Oxides outside of China."

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