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# ARAFURA CAPITAL RAISING & UPDATE

## Summary

- **Share Purchase Plan (SPP) announced at 10% discount to the 5 day VWAP, capped at A\$12 million;**
- **Proceeds to be used to fund ongoing work programs including environmental studies, mine planning and process flow sheet refinement;**
- **Major Shareholder ECE confirms support.**
  
- **The Company reaffirms forward work stream programs;**
- **Demonstration plant showcases Rare Earths technology;**
- **Independent review to confirm program status.**

**Arafura Resources Limited (ASX:ARU) (Arafura or the Company)** has announced a (SPP) whereby eligible shareholders can subscribe for up to A\$15,000 worth of Arafura shares, capped at A\$12 million. Eligible shareholders must be on the register by close of business (Perth time) on 21 February 2012 (Record Date) to qualify to participate in the SPP.

The SPP offer price will be at a 10% discount to the 5 day VWAP for the 5 days up to and including the SPP close date of 9 March 2012.

Funds raised through the SPP will be allocated to ongoing working capital requirements including current work streams aimed at progressing the Nolans Rare Earths Project, including environmental studies, mine planning and process flow sheet refinement. Full details of the SPP will be sent shortly to shareholders.

## Key Dates

Event	Date
SPP Record Date	Tuesday, 21 February 2012
SPP Opens	Friday, 24 February 2012
SPP Pricing Period	Monday, 5 March – Friday, 9 March 2012
SPP Closes	Friday, 9 March 2012
Allotment of SPP shares	Wednesday, 14 March 2012
SPP shares commence trading on ASX	Thursday, 15 March 2012

*(All times are Perth times. This timetable is indicative only and may be changed subject to the Corporations Act 2001 (Cth) and the ASX Listing Rules)*

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Following the SPP the Company will offer its largest shareholder ECE Nolans, a wholly owned subsidiary of the East China Mineral Exploration and Development Bureau, the opportunity to subscribe for shares at the same price as the SPP to maintain its existing shareholding at approximately 17.5%. This will be subject to regulatory and shareholder approval.

At the date of this notice, ECE Nolans has indicated its support for the SPP and that it intends to subscribe for the shares.

Arafura is also pleased to provide the following update.

It was recently announced that, as a result of challenging global capital markets, the Company was enacting a slowdown in development programs and reduced the size of its Board and Management to levels consistent with its current financial resources, pending inflows of additional funds (ASX: ARU 16/02/12 & 01/02/12).

The Company is actively working to obtain new funding to complete the development of the Nolans Rare Earths Project. In addition to the SPP, Arafura is meeting with potential strategic investors as they tour the Company's Rare Earth sulphation and purification demonstration plant and solvent extraction mini-pilot facilities at the Australian Nuclear Science and Technology Organisation (ANSTO) in Sydney over the coming weeks. Additionally, Arafura continues discussions with a number of parties interested in pursuing other conventional funding sources.

Arafura has refined its current work streams to focus on the few remaining technical programs needed to complete the Nolans Project to produce Rare Earth Oxide (REO) products. In recent months the Company has achieved several important development milestones, including:

- Execution of its first LOI with ThyssenKrupp Metallurgical Products, involving sales of Arafura's REO products;
- The identification of widespread mineralization at Nolans Bore, confirming its status as a Rare Earths resource of global significance. The Company anticipates meeting all the objectives of the 2011 expansion drilling program (ASX: ARU 30/09/11), and a revised resource statement is expected shortly;
- Confirmation of the ability to produce a 5% mineral concentrate from Nolans Bore;
- The successful operation of large scale demonstration pilot facilities, including the pre-leach circuit, and production of a chemical Gypsum product and regenerated Hydrochloric Acid; and
- The delivery of three separated REO products from its solvent extraction mini-pilot plant at ANSTO (ASX: ARU 17/01/12). These products are undergoing evaluation by target customers. There is limited REO separation technology available outside China and the production of REO products to customer

specifications represents a very significant milestone in the technological achievements of the Company.

Key work programs currently underway include finalisation of the Nolans Bore resource model leading to an interim mine plan, and further separation of Rare Earths to produce a Cerium Oxide product for customer evaluation.

Later this year, subject to procuring sufficient funding, Arafura intends to construct an Integrated Pilot Plant (IPP) where it will further demonstrate its key process operations. The IPP will showcase the Company's technology from beneficiated Nolans Bore mineral concentrate through to the production of a mixed Rare Earth Carbonate product. The IPP will confirm on a continuous basis previous test work encompassing the learnings gained during the years of development, and will further enhance the robustness of the process.

Consistent with projects of the scale of Nolans, the Company considers it prudent to commission an independent assessment of the Project, including its technology development. This assessment is expected to be completed during 2012.

Arafura's Chairman, Ian Kowalick, noted, "The Nolans Project is world-class and of strategic significance. We are committed to developing it in order to provide much needed Rare Earth Oxide products to users across the globe. I have every confidence that our talented management team will carefully guide the Company through this challenging market period."

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