ARAFURA
RESOURCES NL
ACN 080 933 455

14 November 2006

[Shareholder]
[Address]

Dear Shareholder

Arafura Resources NL – Non renounceable rights issue – Notification

Arafura Resources NL ("**Arafura**") will be offering you an opportunity to acquire more shares in the company pursuant to a pro-rata non renounceable rights issue ("**Rights Issue**") to shareholders of approximately 30,535,745 ordinary fully paid shares ("**Shares**") on the basis of 2 Shares for every 5 Shares held.

The record date for this offer is 5.00pm WST on 29 November 2006, with an issue price of 36 cents per Share, to raise approximately $10,992,868.

This offer will be made pursuant to a Prospectus and if you wish to participate in the Rights Issue, you will need to complete the Entitlement and Acceptance Form that will accompany that Prospectus.

A copy of the Prospectus has been lodged with ASX and is available on the ASX website (www.asx.com.au) and Arafura's website (www.arafuraresources.com.au). The Prospectus will be despatched to persons holding shares as at the Record Date of 29 November 2006.

Pursuant to the Listing Rules of the Australian Stock Exchange Limited ("**Listing Rules**"), Arafura is required to provide to you certain information before proceeding with the Rights Issue. This letter contains all the information required by Appendix 3B of the Listing Rules.

1 30,575,745 Shares will be issued pursuant to the Rights Issue (assuming no existing options are exercised prior to the Record Date).

2 The Shares in the Rights Issue will be offered on the basis of 2 Shares for every 5 Shares held by the shareholder on 5.00pm WST on 29 November 2006.

3 The issue price of the Shares will be 36 cents each.

4 Arafura shares will be quoted on an "ex" basis on 23 November 2006.

5 The Record Date to determine entitlements is 29 November 2006.

6 The closing date for receipt of acceptances is 5.00pm (Perth time) 14 December 2006.

7 The Company will apply for quotation of the Shares issued pursuant to the Rights Issue on the official list of the ASX.

8 If the proposed demerger proceeds the funds raised by the Rights Issue will be used to subscribe for shares in Arafura's subsidiary NuPower Resources Ltd, working capital in Arafura and to meet the costs of the rights issue and proposed demerger. If the proposed demerger does not proceed Arafura will use the funds for evaluation of tenements prospective for uranium, working capital in Arafura and to meet the costs of the rights issue and demerger incurred to date. Full details of the intended use of funds are set out in the Prospectus.

9 Holding statements will be dispatched on 22 December 2006.

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10 The total number and class of all securities quoted on ASX including the maximum number of Shares to be issued in the Rights Issue on an undiluted basis (assuming no options are exercised prior to the Record Date) is as follows:

Number	Class
106,875,106	Ordinary shares
25,564,896	Quoted Options

11 The Rights Issue is non-renounceable.

12 In determining the entitlement of shareholders, any fractional entitlement will be rounded up to the nearest whole number.

13 The Company will not be sending an offer under the Rights Issue to any security holders outside of Australia and New Zealand.

14 The Rights Issue is underwritten by Bell Potter Securities Limited to $10,992,868 for:

- an underwriting fee of 5% of $10,992,868; and
- a management fee of 1% of $10,992,868.

15 The Prospectus for the Rights Issue and the accompanying Entitlement and Acceptance Form will be sent on 30 November 2006 to shareholders in Australia and New Zealand.

16 Existing option holders may participate in the Rights Issue upon exercise of their options. The Company has sent a notice to option holders to notify them of their right to participate in the Rights Issue on exercise of their options.

If you have any queries regarding your entitlement or participation in the upcoming Rights Issue, please do not hesitate to contact the Arafura Shareholder Helpline on 1800 217 828.

Yours sincerely

Gavin Lockyer
Company Secretary
Arafura Resources NL

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