

ARAFURA RECEIVES ONGOING FINANCIAL SUPPORT FROM MAJOR SHAREHOLDER

Australian Rare Earths company **Arafura Resources Limited (ASX: ARU) (Arafura or the Company)** is pleased to announce that it has executed a Letter of Intent (“LOI”) with its largest shareholder, ECE Nolans Investment Company Proprietary Limited (“ECE”), under which ECE will subscribe for 45,266,565 shares at an issue price of A\$0.22 per share to provide A\$9.9 million in funding to the Company. The price represents a 10% premium over the Company’s last trading day’s closing price and 15 day VWAP of A\$0.20.

Combined with its initial investment of A\$22.9 million in 2009, ECE’s total investment in Arafura to date will be over A\$32 million.

The subscription of shares under this agreement will return ECE’s shareholding in Arafura to 24.86% of issued capital, the same as its initial investment in 2009. The agreement will be subject to shareholder approval and regulatory approvals in both the People’s Republic of China and Australia. Notice of the shareholders meeting will be sent to shareholders in the coming weeks.

Representatives from Arafura recently met with ECE in Nanjing to discuss the Company’s financial requirements as it advances its Nolans Project feasibility study.

“For some time now, the Company has been seeking further funding to progress its feasibility study for the Nolans Project to final feasibility status and we are delighted with the support shown by our largest shareholder,” Arafura Chairman, Mr Ian Kowalick said. “Global markets have been disrupted by the euro crisis and we thank shareholders for their support this year.”

ECE Chairman, Mr Shao Yi said, “Against the background of the current global financial situation and Arafura’s funding needs, the support of ECE continues to reflect the good faith that exists between our two companies and ECE’s positive view regarding the Nolans Project.”

“In these difficult times we appreciate the efforts that Ian Kowalick and the Arafura team are making.”

Under a separate Memorandum of Understanding (“MOU”) ECE will reduce the number of its Nominee Directors on Arafura’s Board from two to one. ECE can elect to increase its directorships in proportion to its shareholding in Arafura at any time that the number of Arafura Board Directors reaches seven.

Mr Shao Yi added, “Our companies have executed an MOU which we hope will make it clear to the market that ECE has no desire to exert control over Arafura but wishes to act in the best interests of all shareholders.”

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Whilst in China, Arafura also executed a number of confidentiality agreements with Chinese rare earth experts with whom it had discussions about providing independent technical reviews of the Nolans flowsheet. China is the recognised world leader in rare earths processing and Chinese technology is used by many producers outside China. Together with Arafura's own work, these reviews are expected to identify potential efficiencies and cost savings, and the results will be important to the Company when and as it undertakes its major fund raising activities to support development and construction of the Nolans Project.

Additionally, further discussions were held in China with other investors considering investment in Arafura.

"This investment by ECE will encourage others to consider investment in Arafura," Ian Kowalick said. "Our recent meetings with ECE confirm our intentions to work together to forge strong, long-term relationships with our key investors."

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