

ASX RELEASE

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CONSULTATIONS BETWEEN ECE AND ARAFURA

Discussions were held between Mr Shao Yi, the Chair of East China Mineral Exploration & Development Bureau (ECE) and Mr Ian Kowalick AM, Director of Arafura Resources Limited (and Chairman designate) on 17 December, 2011. ECE and Arafura both recognise that the Nolans Bore rare earths deposit being developed by the company ~140 km north of Alice Springs in the NT has been demonstrated to be a world class resource. The geological results together with the technology developed for the processing facility in Whyalla SA, gives the Nolans Bore mine the potential to be an excellent value creator for investors and an important source of supply to international users of rare earths. Rare earths are very important to world production of consumer products and to energy efficiency in products such as electric cars and wind power generators.

ECE first supported Arafura when the Global Financial Crisis made capital raising very difficult and has indicated that it will provide further support, with other investors, as the company raises capital to complete the bankable feasibility study (BFS) for the Nolans Project. Further investment by ECE in Arafura will require FIRB approval but it is expected that should not be an impediment because ECE has never, and will not seek, to control Arafura nor interfere with rare earths production or sales. Furthermore, ECE has expressed support and encouragement for other strategic shareholders (including sovereign funds, fund managers and users of rare earths in Asia, North American and Europe) to become partners in investing in the company.

The better understanding that is a result of the discussions has also enabled ECE to express support for the board refresh strategy implemented early this year with the appointment of Mr Chris Tonkin, Mr Lloyd Jones and Ms Loretta Reynolds to the board. Mr Shao said "I am happy for being fully informed of the rationale for the board refresh program and it is important that Arafura has a refreshed board with the skills and international experience to guide the company and support management through the next stage of development of the BFS and the securing of funding of project finance. This is in line with ECE's objective in making the investment in Arafura and making the Nolans Project a success, therefore ECE supports the Board and management".

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Mr Kowalick said, “There have been misunderstandings because of failures in shareholder communications so I acknowledge the need for the company to put more effort into keeping shareholders informed. That will require additional resources and will be one of my personal priorities working with senior management. Based on the constructive discussion, I believe it will not only facilitate ECE’s future support to Arafura, but also lay a solid foundation for the better development of Arafura’s Nolans Project.”

- ENDS -

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