

**ASX
RELEASE**

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PROGRESS ON LETTER OF INTENT DISCUSSIONS

Further to the announcement on 18 August 2011, Australian rare earths company **Arafura Resources Limited (ASX: ARU) (Arafura or the Company)** is pleased to announce an update in Letter of Intent (LOI) discussions with German company ThyssenKrupp Metallurgical Products (ThyssenKrupp) to develop an exclusive, long-term commercial agreement for the sale of Arafura's Rare Earth Oxide (REO) products into Germany.

Following the announcement of the successful production of Rare Earth Oxide Products, (ASX: ARU 17 January 2012), Arafura is providing ThyssenKrupp with samples to evaluate.

ThyssenKrupp executives recently visited Arafura's Nolans Bore mineral deposit and the company's technology demonstration facility at the Australian Nuclear Science and Technology Organisation (ANSTO) site near Sydney along with Arafura representatives. During this visit the companies agreed to progress their LOI to a more formal commercial off-take arrangement. The companies are also in discussions to broaden the existing LOI to include additional European countries.

Under a potential expanded agreement with ThyssenKrupp, the companies forecast sales of approximately 3,000 tonnes per year depending on geographic breadth.

Discussions have also progressed in regards to pursuing possible sources of funding for the Nolans project.

ThyssenKrupp Metallurgical Products, as one of the world's leading commodity trading companies, is embedded in the global ThyssenKrupp corporate group. ThyssenKrupp, headquartered in Germany, is a major integrated materials and technology group. It has about 180,000 employees, working in more than 80 countries, developing ideas and innovations into solutions for sustainable progress. In fiscal year 2010/2011, ThyssenKrupp generated sales of €49 billion.

Arafura Chairman, Mr. Ian Kowalick said, "Our recent meetings confirm our intentions to work together to develop a strong long-term relationship with key strategic customers like ThyssenKrupp. ThyssenKrupp Metallurgical Products continues to work with Arafura to pursue project funding which will be a key component of our overall Project Financing plan."

"Arafura's Nolans Rare Earth Project has a world-class resource with a mine life of at least 20 years. It is important for Arafura to engage customers with whom it intends to have a long association," he added.

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