ARAFURA RESOURCES LIMITED (ASX: ARU)

17 February 2009

Strategic Investment in Arafura Resources Ltd by

Jiangsu Eastern China Non-Ferrous Metals Investment Holding Co., Ltd.

The Board of Arafura Resources Limited (Arafura Resources) has agreed to undertake a strategic equity investment with a large scale and highly strategic Chinese partner.

The Chairman of Arafura Resources, The Hon Ian Laurance AM, stated that the Arafura Resources Board has agreed to execute a Letter of Intent with Jiangsu Eastern China Non-Ferrous Metals Investment Holding Co. Ltd, a subsidiary of the East China Exploration & Development Bureau (ECE), to assist with funding requirements and future project development, exploration projects and growth opportunities.

East China Exploration is a major mineral exploration, development and mining group based in Nanjing in the Jiangsu Province of China. The investment by ECE will be made through its associated entity “Jiangsu Eastern China Non-Ferrous Metals Investment Holding Co., Ltd” or its affiliate.

**Funding**

ECE has agreed to subscribe for up to an initial placement of Arafura Resources fully paid ordinary shares to a maximum amount of A$8.5 million at a price of A$0.30 per share. The allotment will not form part of the placement of Shortfall Shares pursuant to the Prospectus lodged by Arafura Resources with ASIC on 15 October 2008.

The percentage of placement to ECE will be dependent on the final shares on issue after the completion of the rights issue shortfall on 21 February 2009.

The number of New Shares allotted to ECE will be determined on completion of the placement of Shortfall Shares on Friday 20 February 2009. The allotment of New Shares to ECE will be completed within forty (40) business days and is subject to completion of due diligence by ECE, Australian Foreign Investment Review Board approval and approval by the Jiangsu Provincial People’s Government.

In addition, and on completion of the Rights Issue Shortfall Offer and ECE’s initial placement, ECE will be offered additional New Shares through a placement of Fully Paid Ordinary Shares at an issue price of A$0.40.

This second placement may take East China Exploration & Development Bureau’s total shareholding to 25% of final shares on issue. The additional placement will be subject to shareholder approval and the requirements of the Corporations Act.

On completion of the first tranche of funding, an ECE representative will be invited to the Arafura Resources Board as a Director.
On completion of the second tranche of funding at $0.40 an additional ECE representative will be invited to the Arafura Resources Board as a Director. Both board appointments will be subject to shareholder ratification in line with Arafura’s Constitution.

The funds raised from ECE will be used to fund the ongoing work on the Bankable Feasibility Study for the Nolans Rare Earths Project.

The Hon Ian Laurance said “the ECE funding would enable Arafura to maintain its timetable to complete the Bankable Feasibility Study with production of Rare Earths and uranium during 2011.

The strategic partnership between Arafura and the East China Exploration & Development Bureau comes on the back of many years of dedicated promotion by the Northern Territory Government to involve Chinese companies in the exploration and development of assets in the Northern Territory.

Mr. Laurance said the ECE funding would enable Arafura to maintain its works programme in its endeavour to complete the Bankable Feasibility Study as soon as practical.

Arafura Resource’s Managing Director, Alistair Stephens, who is currently in Nanjing, said, “This is far more than an investment by a major Chinese mining house.”

Mr. Stephens said that, “East China Exploration & Development was a highly strategic and influential partner who will actively work together with Arafura to assist funding and development of the Nolans Project. The skills and expertise that ECE brings to Arafura are substantial. We have agreed to undertake a philosophy not to dilute the Company shareholding, fund projects, grow our project profile and ultimately increase shareholder wealth.”

**Exploration and Business Development**

Arafura Resources and The East China Exploration & Development Bureau have also agreed to establish joint ventures and co-operate in additional funding for exploration on all of Arafura Resources’ existing exploration licences.

In addition, the parties have agreed that if Arafura Resources acquires additional exploration licences or mineral projects, then the parties will negotiate in good faith to develop them jointly.

Arafura Resources and The East China Exploration & Development Bureau view this investment as the foundation for an ongoing and significant strategic relationship. Arafura Resources welcomes this investment from The East China Exploration & Development Bureau and looks forward to building on this relationship.

**About East China Mineral Exploration & Development Bureau**

East China Mineral Exploration & Development Organisation (ECE) was formed in 1955. ECE is one of the few State authorised organisations focused on engaging in mineral and energy exploration and is permitted to carry out geological exploration as well as conducting scientific research in major State classified projects.

ECE has discovered more than 160 ore deposits in China with a potential value in excess of $10 billion. ECE has over 4,000 employees, 8 subsidiary Geological Exploration units, 7...
scientific research institutions, a post-doctoral research station, a business research and development centre and 22 companies which specialise in the field of mining, engineering and drilling. ECE boasts outstanding qualifications in the field of exploration, hydrology, environmental geology, geophysical and geochemical exploration, remote sensing and geological engineering. With first-class technology and management experts, advanced exploration technology, significant mining and processing experience and strong financial capabilities, ECE is well positioned for foreign investment in mineral exploration and development.

Major discoveries include Meishan iron ore, Qixiashan lead-zinc, Fujian Meishan zinc-lead, Yunnan Boka gold-copper and Anhui Matou copper-molybdenum.

ECE has several mines and refining operations including Youxi Jindong lead-zinc mine and refining operations, Fujian Taiyangshan gold mine, Yunan Boka gold mine, Anhui Matou copper-molybdenum mine and an iron mine in Brazil.

About Arafura Resources
Arafura Resources is a Perth-based specialty metals explorer and developing producer which has operated in the Northern Territory for the past 20 years. It listed on the Australian Securities Exchange in 2003 and has diversified its asset portfolio by targeting projects that will deliver long-term and sustainable value and growth. The Company’s intention is to explore, develop and bring to operation for profit, resources in various mineral commodities.

Arafura Resource’s corporate office is located in Perth, Western Australia, with a regional office in Darwin, Northern Territory. Arafura Resource’s assets include the Nolans deposit containing apatite rock hosting rare earths, phosphate, uranium and thorium. Other tenements that Arafura control contain gold, nickel and vanadium mineralisation.

Arafura Resource’s primary focus is the development of the Nolans rare earths-phosphate-uranium project. The deposit has a current resource of 30.3 million tonnes, containing 848,000 tonnes of rare earth oxides, 3.9 million tonnes of phosphate, and 13.3 million pounds of uranium (ASX: ARU 11/11/08). The Nolans deposit is capable of sustaining a mine life well in excess of 20 years. The Company has developed a processing flow sheet, and is currently demonstrating the recovery of rare earths, phosphoric acid and uranium at a pilot plant located at ANSTO (Australian Nuclear Science and Technology Organisation) in Sydney.

Arafura Resources has an exploration and development program to grow its position in rare earth projects with additional growth beyond the Nolans Project. The Company will focus on the identification and development of rare earth projects and specialise in rare earth products and their markets.

For more information:

Contacts:
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Managing Director   Alistair Stephens 0421 612 573
Chief Financial Officer  Gavin Lockyer 0419 914 072

Fact sheets on Arafura Resources can be found on the Arafura Resources website at www.arafuraresources.com.au
The information in this release that relates to Arafura Resources Limited’s exploration results and geological interpretation has been compiled by Mr Richard Brescianini BSc (Hons) and the information in this release that relates to Arafura Resources Limited’s metallurgical results and interpretation has been compiled by Mr Steven Mackowski, both full-time employees of Arafura Resources Limited.

Mr Brescianini is a Member of the Australian Institute of Geoscientists and he has sufficient experience with the style of mineralisation being reported to qualify as a Competent Person as defined in the 2004 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code)” for reporting these exploration results. Mr Brescianini consents to the inclusion in this report of the contained technical information in the form and context in which it appears.

Mr Mackowski is a Fellow of the Australian Institute of Mining and Metallurgy and he has sufficient experience with the style of mineralisation being reported to qualify as a Competent Person as defined in the 2004 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code)” for reporting these metallurgical results. Mr Mackowski consents to the inclusion in this report of the contained technical information in the form and context in which it appears.