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NOTICE OF MEETING AND INDEPENDENT VALUATION

- **General Meeting to be held on 18 October 2012 for Arafura shareholders to vote on ECE Nolans capital injection;**
- **Independent Expert's Report determines Nolans Project preferred value of A\$3,200 million; and**
- **Independent Expert's Report values the Nolans Project using a discounted cash flow method, validating the advanced progress on the Project.**

Australian Rare Earths company **Arafura Resources Limited (ASX: ARU)** ("**Arafura**" or the "**Company**") has provided shareholders with a Notice of General Meeting for Thursday, 18 October 2012 to vote on the capital injection by major shareholder ECE Nolans Investment Company Proprietary Limited ("**ECE Nolans**").

ECE Nolans has agreed to subscribe for 45,266,500 new shares in the Company at an issue price of A\$0.22 per share to raise approximately A\$9.96 million (ASX: ARU 19/06/12).

Arafura engaged BDO Corporate Finance (WA) Pty Ltd as the Independent Expert ("IE") to prepare an Independent Expert's Report ("IER") to determine if the ECE Nolans placement is fair and reasonable.

The IE estimates the fair market value of the Nolans Project to be in the range of A\$2,400 million to A\$4,000 million, with a preferred value of A\$3,200 million. Notably, even at the lower end of the valuation range, the net present value of the Nolans Project is more than 30 times the Company's current market capitalisation. This is consistent with Arafura's valuation as presented in the Nolans Project Update in August (ASX: ARU 07/08/12).

In addition, the IE has assessed the value of an ARU share to be in the range of A\$0.243 to A\$0.404 per share, with a preferred value of A\$0.323. As such, the IE determined that the ECE Nolans transaction – at a cash consideration of A\$0.22 per share – was not fair but reasonable as the advantages of the placement to shareholders are greater than the disadvantages.

The IE notes that Arafura requires significant funds to complete the Nolans Project feasibility study, and that ECE Nolans could assist in providing a part of these funds to Arafura. As a result, Arafura's Independent Directors believe they are justified in recommending that shareholders vote in favour of the ECE Nolans transaction.

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Arafura Chairman Ian Kowalick said, “The Board strongly believes this transaction to be in the best interests of Arafura shareholders. While the issue price is less than what the IE determines to be fair value, it represents a significant premium to the current share price.

“We appreciate the long-term support from ECE Nolans and their contribution of equity at a premium to the current share price, particularly in the current uncertain equity market conditions which present difficulties for capital raisings. Importantly, the IE’s valuation of both the Nolans Project and the Company underpins the Project’s robust economics and suggests significant potential valuation upside in Arafura.

“Consequently, I urge shareholders to vote in favour of the ECE Nolans transaction.”

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