

ASX RELEASE

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**AN EMERGING
RARE EARTHS
PRODUCER
FOR USERS
WORLDWIDE**

NOLANS TECHNOLOGY PROGRAM UPDATE

Emerging Australian rare earths producer, Arafura Resources Limited (**ASX: ARU**) ("**Arafura**" or "**the Company**") is pleased to report on the progress of the technology development program previously advised in our business update in October 2010.

Rare Earth Oxide Separation:

Further to the ASX announcement on 13 September 2010 reporting the successful laboratory production of commercial quality Heavy and Medium Rare Earth Elements, the Company is pleased to announce it has successfully produced commercial quality separated Cerium oxide for polishing powders at laboratory scale and a commercial quality Neodymium/Praseodymium oxide for magnet markets already at pilot scale. Further refinement, separation and value adding work will continue in the first quarter of 2011.

Arafura's ongoing discussions with end users will ensure that the products being produced meet industry specifications and market requirements.

Planning is underway to process the bulk sample collected under the "Big Bertha" program earlier this year through a sulphation demonstration route which will produce commercial quantities of separated oxides for key customer assessment.

Sulphation Demonstration:

Following receipt of the funds from Tranche 2 of the recent capital raising, significant contracts have now been let to progress the Sulphation demonstration during the first half of 2011. Arafura will be assisted in the process by a range of consultants previously associated with the program. Further detailed progress reports will be given in quarter 1 2011.

Calcium Chloride Recycle Demonstration:

Construction of the plant is underway at AMMTEC's facilities in Perth. Commissioning is expected in January with acid recycle and gypsum manufacture scheduled for continuous (24/7) operations at the end of the month.. Progressive simplification of the plant will be trialed during quarter one 2011.

Representatives from McGill University in Montreal, our expert consultants, will be in attendance with a PhD researcher and Professor George Demopoulos providing technical guidance.

Commercial samples of gypsum will be retained for customer assessment.

Managing Director and CEO Dr. Steve Ward said, "The recent announcements by China to reduce rare earth export quotas in the first half of 2011 has re-emphasised the need for new non-Chinese suppliers for users worldwide. Arafura's business model to produce rare earth oxides in Australia is fully aligned with future industry needs. Our Nolan's Project is one of the very few new supply sources sufficiently advanced to be able to come into production in the short to medium term. We are delighted with the progress we have made to date with the technology program and look forward to successful completion of all parts by mid 2011. This is an important component of our bankable feasibility study. Following the successful recent capital raising, we now have everything in place to enable us to enter 2011 moving ahead with all aspects of our Nolan's Project at full pace as we seek to secure project financing by the end of the year.. We have an exciting time ahead of us in 2011."

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