

ASX RELEASE

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

RARE EARTH PRICES FOR NOLANS MIX NEARING US\$100 PER KG

(Now at US\$ 98.86)

Australian rare earths company **Arafura Resources Limited** (ASX: ARU) (**Arafura or the Company**) today announced there have been further significant increases in the prices of Rare Earths quoted by Metal Pages, UK. The price for 1 Kg of Nolans product has risen to US\$98.86, which equates to approximately US\$2,768 per tonne of in-situ ore, and is a further 14% increase from the price released recently on Monday February 21st (US\$86.26).

Prices have moved upwards again as global markets remain tight and re-adjust to China's recent announcement of further reductions in Rare Earth export quotas for the first half of 2011. China currently supplies 97% of all rare earths to the global economy. There are very limited new supply opportunities available to meet the worlds growing demand in the short to medium term.

Arafura is one of the very few possible alternatives to Chinese supply for users worldwide via its flagship wholly owned Nolans Bore Rare Earths deposit. Arafura's Nolans Project is progressing well. The Bankable feasibility study (BFS) will be completed later this year when final capital costs and project financials will be confirmed (capital costs last estimated in October 2010 at A\$ 950M). It is then planned to secure the Project Financing by year end. Construction would then proceed in 2012 and continue in 2013, with first production in the second half of 2013.

In October 2010, Arafura released (ASX: ARU 12/10/10) a market update which showed the NPV for the project of more than A\$4.0 billion at a price of US\$38/kg (2013 basis) for Rare Earths. The NPV increased to A\$6.6 billion for a price of US\$ 54/kg. At the latest prices of US 98.86/kg, annual sales revenue from rare earths alone would be US\$1.98Billion and just over US\$ 2 billion for all products. This obviously has a very positive upward impact on value creation and NPV.

Since the October business update, Arafura has been making strong progress across all aspects of the business which are required for the BFS. This includes technology, engineering and drilling programs.

As can be seen from the December 2010 Half Yearly Report, the Company's balance sheet is ideally positioned for project financing later this year. The Company has no debt, sufficient cash to progress all necessary work programs, and only 376M issued shares. This will allow Arafura maximum flexibility to negotiate the optimum financing structure to benefit all shareholders. The Company is currently assessing the appointment of relevant corporate finance and project advisory groups to meet this objective.

The positive market conditions, being driven by consumerism, regulators and supply shortages provide an excellent environment for Arafura's discussions with potential customers which are in progress. A number of face to face meetings are currently scheduled in the coming weeks in Korea, Japan, Europe and North America.

Dr Steve Ward, Arafura's Managing Director and CEO, commented, "This is certainly an exciting time for Arafura. All our work programs are moving ahead at full pace. We look forward to completing a number of major milestones over the coming months as we finish our BFS and then secure project financing. The potential value creation from the world class Nolans Project is immense, particularly as rare earth prices continue to rise."

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