



MARKETING PROGRAM UPDATE

Significant Milestone Achieved: Arafura Produces First Rare Earth Oxide Samples for Target Customers

Highlights

- Three different Rare Earth Oxide products successfully produced for target customer evaluation;
- One of the products, a mixed Neodymium/Praseodymium Oxide for the very important magnet market, will account for approximately 50% of Arafura's projected Rare Earths sales revenue;
- Product work undertaken at pilot scale with ANSTO in Sydney consistent with Arafura's 'All Australian' business model;
- Marketing program in full swing with planning underway for target customer visits to Australia in February 2012

Australian Rare Earths Company **Arafura Resources Limited (ASX:ARU)** (**Arafura** or **the Company**) is pleased to provide an update on its marketing program for Rare Earths. Arafura has completed a series of meetings with target customers to understand their future product and quality needs. A significant milestone has now been achieved in Arafura's marketing program with production of the first Rare Earth Oxide samples for target customer evaluation.

Background

Rare Earths are the Lanthanide series of elements in the period table plus Yttrium which is similar chemically.



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Rare Earths have unique chemical characteristics (a reflection of their position in the periodic table) which make them essential ingredients in a range of fast growing new high-technology based end uses. These can be broadly categorised as:

- High technology consumer goods e.g. iPods, flat screen TVs, computers;
- Clean & green energy applications e.g. wind turbines, hybrid cars; and
- Energy efficiency products e.g. new generation light globes, rechargeable batteries.

Individual Rare Earths are used in a range of distinctly different end applications. Rare Earth product quality needs can vary depending upon end use. It is important to understand specific requirements by end use to meet customer needs and maximise value creation.

For many end applications:

- The Rare Earths are critical to their success;
- There are no real substitutes (certainly not as efficient);
- Recycling possibilities are very limited; and
- There is no 'leap-frogging' technology apparent.

Consequently, the outlook for Rare Earths is very positive with end uses forecast to grow by multiples of GDP well into the future. The challenge for the Rare Earth industry is for the supply side to keep up with the demand potential.

Various business models exist within the Rare Earths industry. Companies have plans which cater for supplying products from different points in the industry value chain. Arafura has developed an 'All Australian' business model to produce Rare Earth Oxides in Australia for users worldwide via its world-class Nolans Project. The Rare Earth Oxide market is global and has many customers, including well-known international companies as users. It is seen by Arafura as an excellent point in the industry value chain from which to create value from the Nolans Project.



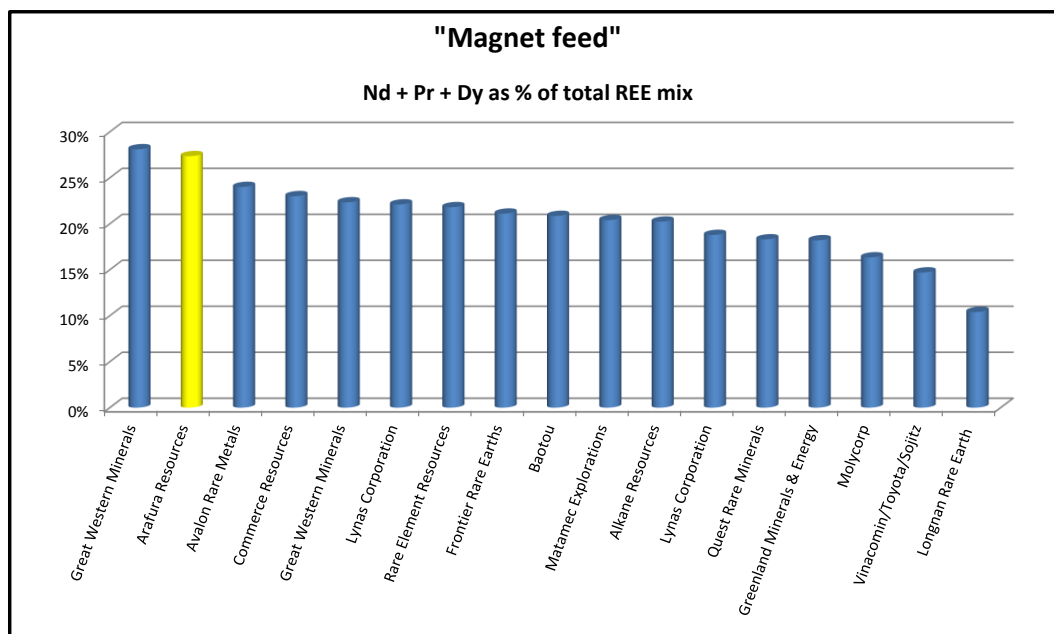
Rare Earth resources differ mineralogically and geochemically and contain varying amounts of individual Rare Earths. Arafura's Nolans Bore resource contains the following:

Rare Earth Element	% REO Contained	Volume (tonnes p.a.)	REO Price (US\$/kg) 12 Jan 2012	Projected Revenue (US\$ millions) p.a.	% Revenue
Lanthanum	19.74%	3,948	\$51.00	\$201	9.4%
Cerium	47.53%	9,506	\$42.50	\$404	18.8%
Praseodymium	5.82%	1,164	\$165.00	\$192	8.9%
Neodymium	21.20%	4,240	\$195.00	\$827	38.5%
Samarium	2.37%	474	\$78.50	\$37	1.7%
Europium	0.40%	80	\$3,790.00	\$303	14.1%
Gadolinium	1.00%	200	\$102.50	\$21	1.0%
Dysprosium	0.33%	66	\$1,410.00	\$93	4.3%
Terbium	0.08%	16	\$2,810.00	\$45	2.1%
Yttrium	1.32%	264	\$90.50	\$24	1.1%
Others	0.21%	42	-	-	-
Total	100.00%	20,000	\$107.35	\$2,147	100.0%

Prices noted above are China US\$ FOB quoted in Metal Pages on 12 January 2012

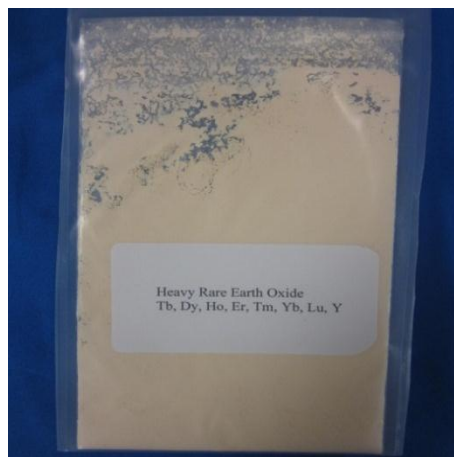
Arafura's five REO product groups are highlighted

Compared to other Rare Earth projects, Arafura's Nolans Bore resource is one of the leaders in Neodymium, Praseodymium and Dysprosium, those Rare Earths which are used to make magnets. This is one of the fastest growing end use areas and a 'driving force' for the industry. At current prices, these Rare Earths would account for close to 50% of Arafura's projected Rare Earths sales revenue. Magnet producers have, and continue to show, considerable interest in Arafura as a supplier.



Arafura's Marketing & Product Development Program

Arafura's Nolans Project will utilize technology developed by Arafura in Australia for separation of Rare Earth Oxide products. Arafura has been working closely with ANSTO in Sydney for this work. Some basic commercial-level concept Rare Earth Oxide samples were produced at laboratory and small pilot scale in 2010 (ASX: ARU 13/09/2010 and 04/01/2011).



HREO sample produced from Nolans Bore – ANSTO, 2010

Arafura then stepped up its program for interaction with identified target customers during 2011. This marketing program has been led by Mr Gary Cianfichi, Arafura's Head of Marketing & Sales (refer to the attached Management Team summary). Discussions have been held and are in progress with target customers in Japan, Korea, Europe and the USA. An LOI has already been signed with ThyssenKrupp from Germany. A clearer understanding of specific customer product requirements and quality needs have been gained from this marketing program. Further development work has then been undertaken to generate Rare Earth Oxide products which are aligned with specific target customer requirements. This enables value creation from the Nolans Bore resource to be optimized.



Solvent extraction circuit for REO production – ANSTO

Arafura is now pleased to announce that the first Rare Earth Oxide samples for customer evaluation have been produced from the Nolans Bore resource. Rare Earth Oxides have been separated at ANSTO on a pilot scale basis. These are:

- A mixed 'Heavy' Rare Earth Oxide product (Tb+Dy+Ho+Er+Tm+Yb+Lu+Y): 'HRE oxide';
- A mixed 'Mids' Rare Earth Oxide product (Sm+Eu+Gd): 'SEG oxide';

And very importantly

- A mixed Neodymium/Praseodymium Oxide product (Nd+Pr) for the magnet market: 'Nd/Pr oxide'.

Work on finalizing Cerium and Lanthanum Oxide products for customer evaluation is underway and will be progressed in the coming weeks.



Rare Earth Oxide samples for customer evaluation from 2011-2012 pilot-scale program

Future Program

The marketing program with targeted customers will continue during 2012 as the Company seeks to secure provisional sales contracts as part of the Nolans Project Bankable Feasibility Study (BFS). Key activities will include:

- Finalization of Cerium and Lanthanum Oxide products;
- Evaluation of Rare Earth samples by target customers;
- Inspection of the Rare Earth production pilot and demonstration facilities at ANSTO by target customers in February 2012; and
- Negotiation and finalization of provisional commercial agreements for the Nolans Project BFS



	Q4 2011	Q1 2012	Q2 2012	Q3 2012
Key customer specifications refined	■			
Generation of customer samples from Demonstration program	■	■		
Customer visits to demonstration facilities		■		
Letters of Intent negotiated	■	■	■	
Completion of provisional sales contracts			■	■

Dr Steve Ward, Arafura's Managing Director and CEO, commented, "There is significant interest in Arafura and its products. The production of Rare Earth Oxide samples for target customer evaluation is a great achievement and major milestone in our marketing program. It will enable us to advance discussions with our target customers worldwide."

"The Neodymium/Praseodymium product for magnets is particularly important as it will account for approximately 50% of our projected Rare Earths sales revenue," he added.

"There is strong support for Arafura's 'All Australian' business model which gives us stand-alone independence. Target customers see Australia as having advantages of low sovereign risk and a well-established world-class regulatory environment."

"Our marketing program is in full swing and we are delighted to be hosting visits by some of our target customers to Australia next month. I look forward to making further announcements on the Nolans Project in the coming weeks regarding an updated Statement of Identified Mineral Resources for Nolans Bore, the Company's marketing program and Rare Earth production demonstration activities."

- ENDS -

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Arafura's Management Team

The management team has an excellent mix of experience which is ideal for Arafura as an emerging company. This includes extensive global business experience in the exploration, mining, minerals processing and chemicals industries; significant involvement in major capital project development design, construction and start-up, exposure to financial markets, and in-depth experience in the Australian business and regulatory environment.



Steve Ward – BSc (Hons) Chem; PhD Phys Chem

Managing Director & CEO

Has over 30 years' global experience in the chemical, mining and minerals processing industries including Board memberships, Business leadership/management positions and various Senior Executive roles. Major project development /business start-up experience.

Previous Companies: ICI, Iluka, Cristal Global, Bemax, Consolidated Rutile



Gavin Lockyer – BBus, CA

Company Secretary & CFO

Has over 20 years' international experience in finance and mining. Joined Arafura in 2005 after holding a number of senior investment banking, finance, treasury, derivatives and accounting positions.

Previous Companies: BT & Deutsche Bank (UK), Bankwest, ANZ Investment Bank, Newcrest, Newmont, Tethyan Copper



Neil Graham – BSc (Hons) Chem Eng

GM – Operations & Technology

Has more than 25 years' of international experience in the chemical industry, encompassing design, construction, and commissioning of both start up and brownfield installations. Substantial operations management experience of facilities in several different countries.

Previous Companies: BP, ICI, Rittershaus & Blecher, Huntsman, Orica



Richard Brescianini – BSc (Hons) Geophysics

GM – Exploration & Development

Has over 20 years' experience in base, precious and rare metals exploration throughout Australasia and North America. Held the position of Director, Northern Territory Geological Survey.

Previous Companies: BHP, Northern Territory Government

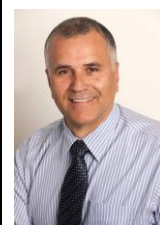


John Ganer – BE (Hons) Mech Eng

GM – Projects

Has over 30 years' experience in the minerals and metals industry, including in project management, engineering, design and research development.

Previous Companies: Rio Tinto, BHP, Iluka Resources, Hatch, SKM, GHD, Calibre Projects.



Gary Cianfichi – BSc Eng

Head of Marketing & Sales

Has over 30 years' chemical industry experience in senior executive marketing and sales roles. He has lived and worked in a number of countries and has held leadership positions in global and national trade group associations.

Previous Companies: Millennium Chemicals, Cristal Global

