



AN EMERGING RARE EARTHS PRODUCER
FOR USERS WORLDWIDE

24 April 2012
Ms Shannon Nicholson
Advisor, Listings (Perth)
ASX Compliance Limited
Level 8, Exchange Plaza
2 The Esplanade
Perth WA 6000

RE: Response to ASX Price & Volume Query

Dear Shannon,

Thank you for your telephone call and subsequent letter dated 24 April 2012.

Arafura's Nolans deposit in central Australia represents one of only a few significantly large and technologically proven resources of Rare Earths.

Rare Earths are key strategic inputs to a range of high-technology products which include energy efficient light bulbs, re-chargeable batteries, wind turbines, hybrid vehicle technology and advanced electronics such as i-pods, military navigation systems and plasma panels.

Government and industry are becoming increasingly aware of their reliance on the People's Republic of China for the raw materials which are essential in meeting their greenhouse gas abatement strategies, energy conservation and are at the core of the performance of their end products. Increasingly, rare earth users outside China are seeking new suppliers from non-Chinese sources. Arafura's "all Australian" business model will provide customers with a stable, key strategic supplier of rare earths for users worldwide.

Further to your letter today and our subsequent telephone conversation we respond as follows:

1. The Company is not aware of any information that has not been announced which could be an explanation for recent trading in the securities of the Company.
2. The answer to question 1 is "No", therefore question 2 is "Not Applicable"
3. Other than stated above, the Company does not have any other explanation for the price change and volume increase.
4. The Company confirms that it is in compliance with the Listing Rules and in particular Listing Rule 3.1

Should you require further information, please contact me.

Yours sincerely

[sent electronically without signature]
Gavin Lockyer
Company Secretary
Arafura Resources Limited.

ARAFURA RESOURCES LIMITED

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24 April 2012

Gavin Lockyer
Company Secretary
Arafura Resources Limited
Level 5, 16 St George's Terrace
PERTH WA 6000

Dear Gavin

Arafura Resources Limited (the "Company")

PRICE AND VOLUME QUERY

We have noted a change in the price of the Company's securities from a closing price of \$0.30 on Tuesday, 17 April 2012 to an intra-day low of \$0.25 today, 24 April 2012. We have also noted an increase in the volume of trading in the securities over this period.

In light of the price and volume change, please respond to each of the following questions.

1. Is the Company aware of any information concerning it that has not been announced which, if known, could be an explanation for recent trading in the securities of the Company?

Please note that as recent trading in the Company's securities could indicate that information has ceased to be confidential, the Company is unable to rely on the exceptions to listing rule 3.1 contained in listing rule 3.1A when answering this question.

2. If the answer to question 1 is yes, can an announcement be made immediately? If not, why not and when is it expected that an announcement will be made?

Please note, if the answer to question 1 is yes and an announcement cannot be made immediately, you need to contact us to discuss this and you need to consider a trading halt (see below).

3. Is there any other explanation that the Company may have for the price change in the securities of the Company?

4. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Your response should be by email to shannon.nicholson@asx.com.au and dave.filov@asx.com.au or on facsimile number (08) 9221 2020. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, **not later than 4.00 pm (W.S.T.) today, 24 April 2012.**

Under listing rule 18.7A, a copy of this query and your response will be released to the market, so your response should be in a suitable form and separately address each of the questions asked. If you have any queries or concerns, please contact me immediately.

Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in listing rule 3.1A.

In responding to this letter you should consult listing rule 3.1 and Guidance Note 8 – Continuous Disclosure: listing rule 3.1.

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond by the time requested, or if the answer to question 1 is yes and an announcement cannot be made immediately, you should consider a request for a trading halt in the Company's securities. As set out in listing rule 17.1 and Guidance Note 16 – Trading Halts, we may grant a trading halt at your request. We may require the request to be in writing. We are not required to act on your request. You must tell us each of the following:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. If a trading halt is requested and granted and you are still unable to reply to this letter before the commencement of trading, suspension from quotation would normally be imposed by us from the commencement of trading if not previously requested by you. The same applies if you have requested a trading halt because you are unable to release information to the market, and are still unable to do so before the commencement of trading.

If you have any queries regarding any of the above, please do not hesitate to contact me.

Yours sincerely

[sent electronically without signature]

Shannon Nicholson
Adviser, Listings (Perth)