ASX RELEASE

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Market Clarification

ARAFURA RESOURCES TO PRODUCE VALUE ADD RARE EARTH OXIDES FROM NOLANS PROJECT

Australian rare earths company **Arafura Resources Limited** (**ASX: ARU**) (**Arafura** or **the Company**) confirms its forward business model to clarify any misconceptions.

Fact Sheets and other data can be readily found on our website at www.arafuraresources.com.au.

A simple overview of the various stages in rare earths industry supply chain is:

Stage 1	Ore
Stage 2	Mineral concentrate
Stage 3	Rare earth intermediates (e.g. carbonates)
Stage 4	Rare Earth Oxides
Stage 5	Metal/alloys
Stage 6	Original Equipment Manufacturers (OEMs) (e.g. IPods, flat screen televisions).

Stages 1 & 2 are typically conducted at the mine site. Processes 3 to 6 can be executed at separate places, or at the same location, or at a combination of locations.

Each rare earths company develops its business model depending on a number of factors including deposit type, location, economics and target markets.

Arafura's business model has been widely articulated in our ASX announcements. It has been developed to deliver enhanced returns to shareholders by value adding to the Nolans Bore resource to produce Rare Earths Oxides in Australia. These can then be sold to users world wide.

Mineral concentrate will be produced at our Nolans Bore Mine in the Northern Territory (stages 1 & 2 above).

AN EMERGING RARE EARTHS PRODUCER FOR USERS WORLDWIDE

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The mineral concentrate will be railed to our Rare Earths Complex in Whyalla, South Australia, where 20,000 tonnes of ***Rare Earth Oxides*** will be produced per annum. This means that the mineral concentrate will be processed through to Stage 4 at Whyalla in our Rare Earths Complex. We have recently updated the market on our progress to develop the technology to produce rare earth oxides.

Rare earth oxides command a premium price compared to mineral concentrate or rare earth intermediates.

The Rare Earths Complex will use a number of raw materials and will require specialist support services which we envisage will be co-located in Whyalla. This will involve investment by others, not Arafura. When Whyalla was announced as the preferred location for Arafura's Rare Earths Complex on 17 September, it was indicated that the total investment in Whyalla (by Arafura and others) is expected to be of the order of A$1 billion.

Arafura's own investment for the Nolans Project is subject to our current final feasibility studies. Updated financials will be published in due course as feasibility work progresses.

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Visit www.arafuraresources.com.au for information on the Nolans Project.

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