ASX RELEASE

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NOLANS RARE EARTHS VALUATION 3 DECEMBER 2010

Rare Earths prices continued to increase during November. The Nolans Rare Earths mix average valuation currently stands at US$70.12/kg based on China FOB prices published by Metal Pages. This represents a 412% increase since December 2009.

Arafura's Managing Director & CEO, Dr Steve Ward commented "Rare Earth prices are following normal supply and demand dynamics. The overall global supply/demand balance is tight and will remain this way for a number of years. Demand is forecast to grow at 2 to 3 times GDP and new projects will just about keep pace with this growth. Chinese export quota reductions have polarized the tightness of the global market in areas outside China. The era of low priced rare earths is behind us as their intrinsic value in end applications is better understood, their strategic importance is increasingly recognized and supplies remain tight well into the future."

China currently supplies approximately 95% of the world's needs for these strategic metals which are critical to high tech industries including electric vehicles, rechargeable batteries, energy efficient lights and iPods, and there are limited alternate sources.

As rare earths constitute only a small portion of the cost of finished products the impact of higher prices is not significant in their end application.

Arafura Resources is well placed to secure sales at superior prices for their rare earths products in this climate of tightening supply with increasing demand.

"Arafura recently published an update of our Nolans project (October 2010) in which we used US$ 51/kg as the basis of an upside case for economic modelling. This gave very positive financial results. Already, prices have risen well above this upside case. This is very positive news for the Company as we move quickly to first production in 2013" Dr Ward commented.

ARAFURA RESOURCES LIMITED

AN EMERGING RARE EARTHS PRODUCER FOR USERS WORLDWIDE

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