ASX RELEASE

29 July 2011

RECENT COMMENTARY ON ARAFURA AND RARE EARTHS INDUSTRY

Australian rare earths company **Arafura Resources Limited** (**ASX: ARU**) (**Arafura** or **the Company**) today acknowledges recent favourable industry analysis and commentary in regards to both Arafura and the Rare Earths industry. The Company is pleased to provide a summary.

A recently published research note by Resource Capital Research (RCR) highlights the excellent intrinsic value of the Nolans Project even at rare earth prices much less than current levels. RCR's analysis also describes a very positive market outlook for rare earths over the next 5 years with "increasing REE demand (7%-9% per annum) against a background of supply constraint and restrictive export quotas in China".

In separate commentary, independent rare earths consultant and commentator Jack Lifton said after visiting the Nolans Bore site for the first time that he was impressed with Arafura's operational management, the Company's business model and its approach to delivering the Nolans Project. In his opinion, Arafura was on the right track to becoming one of the few new rare earth producers.

Mr Lifton's business partner, Dr Gareth Hatch, expressed similar sentiments after the site visit in a more detailed article.

On 14 July 2011, the Chinese Ministry of Commerce announced the second batch of rare earth export quotas for this year, totalling 15,738 tonnes, which makes the full 2011 export quota a total of 30,184 tonnes. In 2010 China exported 30,258 tonnes of rare earths. However, the new quotas for the rest of 2011 now also include some materials which already contain rare earths and were not previously part of the quota system. This will effectively reduce the amount of rare earths exported in 2011 compared to 2010. Arafura believes that the new quotas will keep markets tight outside China, and prices firm.

Dr Steve Ward, Arafura's Managing Director and CEO commented, "Recent commentary reinforces the excellent value of the Nolans Project, and expresses confidence in the Company's approach to its execution. The market outlook for rare earths remains very positive and we do not believe that the current market shortages and resultant high prices are a short-term window. Arafura remains confident that it will be one of the very few near term producers of rare earths outside of China and will be able to capitalise on the very positive market outlook".

AN EMERGING RARE EARTHS PRODUCER FOR USERS WORLDWIDE

- ENDS -

Further information can be found on the Company's website at www.arafuraresources.com.au or contact:

Dr Steve Ward
Managing Director & CEO
Arafura Resources Ltd
T: +61 8 6210 7666