ASX RELEASE

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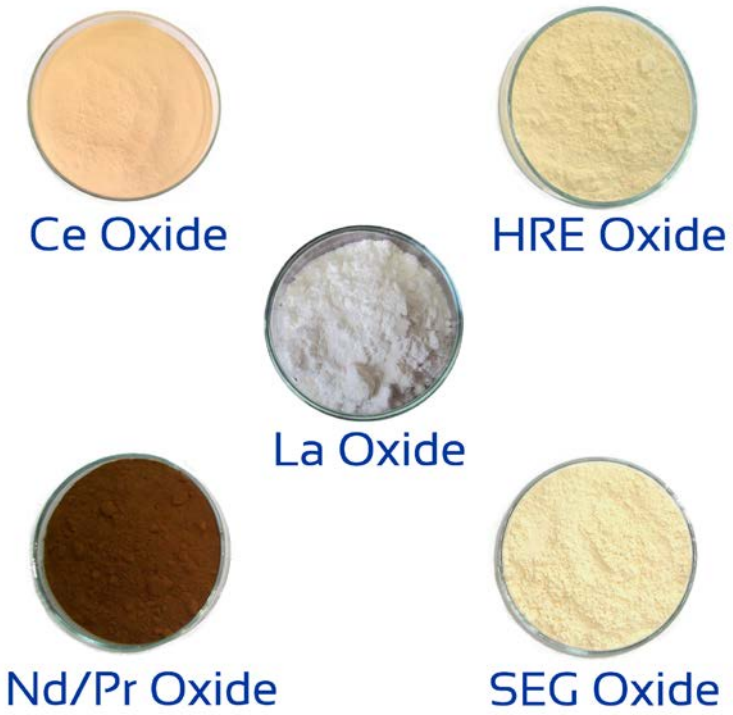
ARAFURA RESOURCES LIMITED

AN EMERGING RARE EARTHS PRODUCER FOR USERS WORLDWIDE

FIFTH RARE EARTH OXIDE PRODUCT AVAILABLE FOR CUSTOMER EVALUATION

ARAFURA ADDS LANTHANUM OXIDE TO SEPARATED RARE EARTH OXIDE PRODUCT RANGE

Australian Rare Earths company **Arafura Resources Limited** (**ASX: ARU**) (**Arafura** or **the Company**) is pleased to announce the achievement of another major milestone by producing a separated Lanthanum Oxide (**Lanthanum** or **La_2O_3**) product.



Separated Rare Earth Oxide samples from Arafura's product development program

The successful separation of Lanthanum completes Arafura's goal of developing five individual separated oxide products for initial commercialisation of the Nolans Project. This novel separation of lanthanum follows the successful production of samples of four other Rare Earth Oxide (REO) products from the Nolans Bore resource in 2012 (ARU: ASX 17/01/12 and ASX 6/6/12):

- Cerium Oxide
- Nd/Pr Oxide: Didymium Oxide (Nd+Pr);
- SEG Oxide: 'Mids' Rare Earth Oxide (Sm+Eu+Gd); and
- HRE Oxide: 'Heavy' Rare Earth Oxide (Tb+Dy+Ho+Er+Tm+Yb+Lu+Y).

Initial customer feedback confirms that these products are to the defined specifications.

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All products have been produced at pilot scale and demonstrate a further stage of Arafura's development and the intrinsic opportunity within the Nolans Project.

Arafura's CEO, Chris Tonkin, said, "Arafura's downstream technology program continues to deliver excellent outcomes in the form of final separated REO product samples from our Nolans Bore resource. The production of the fifth and final product at pilot scale, not only proves Arafura's processes and provides valuable engineering data, but will also provide further opportunity to engage potential customers for this high volume product.

Our demonstrated ability to produce separated oxide products is a major point of difference between Arafura and other rare earth projects currently being considered for development in Australia and elsewhere around the world," he added.

– ENDS –

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About Arafura's Rare Earth Oxide Products:

Arafura is unique in producing and offering separated REO products to key customers for evaluation. Product testing by key end users in Japan, Korea and Europe validated Arafura's products for application in major end use sectors.

Rare Earths are essential to products with significant growth potential in markets associated with the electronics and clean technology industries and they positively contribute to energy efficiency and greenhouse gas reduction.

REOs are fundamental in clean energy technologies such as electric and hybrid vehicles, energy efficient lighting, wind turbine generators, and automotive catalytic converters. Rare Earths are critical and strategic components in defence applications, advanced communications, medical equipment and computing and mobile applications such as tablets and smart phones.

Arafura's Lanthanum product is targeting the nickel metal hydride (NiMH) batteries market which powers electric and hybrid vehicles and the fluid cracking catalyst (FCC) market for processing of crude oil.

Magnets, catalysts, and metal alloys account for the largest global consumption of REO and a global clean energy future will drive the expected strong growth of rare earths in the magnets and phosphors markets. Arafura's product suite is designed to feed into major end use sectors with significant forecast growth rates in demand:

Application	Arafura's Oxide Products	Annual Average Growth Rate (2013-2020)	Arafura's Annual Production (tonnes)	2016 Global Demand Forecast (tonnes)
Magnets	Didymium Oxide & HRE Oxide	10%	5,300	44,000
Catalysts	Lanthanum & Cerium Oxide	5%	3,200	39,000
Phosphors	SEG & HRE Oxide	9%	1,000	10,000
Polishing Powders	Cerium	5%	4,000	19,000
Metallurgical Alloys	Cerium, Didymium, HRE Oxide	4%	3,000	26,000
Batteries/Energy	Lanthanum	6%	1,500	16,000
Glass Additives	Cerium	1%	2,000	11,000
TOTAL		**6-7%**	**20,000**	**165,000**