



ABN 22 080 933 456

7 May 2009  
Ms Jenny Cutri  
Assistant Manager, Issuers  
Australian Securities Exchange  
Level 8, Exchange Plaza  
2 The Esplanade  
Perth WA 6000

**RE: Response to ASX Price & Volume Query**

Dear Jenny,

Rare Earths are a strategically valuable suite of minerals at the core of modern technologies such as energy efficient lighting, hybrid vehicle manufacture and plasma panels. Further, public awareness of the significance and importance of these minerals is slowly increasing, particularly as governments around the world promote carbon emission reduction strategies. China currently produces approximately 95% of Rare Earths and consumes about 60% of global production, Arafura represents a commercially viable Australian source of Rare Earths.

In January this year, Arafura successfully produced a Rare Earth Carbonate from its Pilot Plant facilities at the Australian Nuclear Science and Technology Organisation (ANSTO). This carbonate is suitable to commence marketing discussions and Arafura is in the process of assessing potential partners. Arafura has also proved the recovery of high grade Phosphoric Acid which will reduce Australia's dependence on foreign sources.

In addition, Arafura has recently signed a letter of Intent with a strategic partner, the Jiangsu East China Mineral Exploration & Development Bureau (JEC), for the provision of technical and financial assistance. JEC currently have a proposal with the Foreign Investment Review Board for consideration.

The Company has clearly stated in ASX market releases that it is our intention to secure a joint venture partner for the Nolans project. Discussions are in varying stages and no contractual arrangements have yet been negotiated.

Arafura aims to be a strategic supplier of rare earth resources and the company has been investigating a number of potential alternate sources of rare earth material. These development activities and potential growth opportunities result in raising the profile of the Company and drawing attention to our assets and investment value.

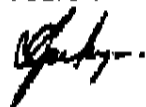
There has been recent increased attention within the USA to the strategic importance of rare earths in technologies that have a significant impact in greenhouse gas abatement strategies and high growth electronics markets. This has resulted in an increased focus on the need for additional rare earths resources into the supply chain and Arafura is one of the few companies with the opportunity to develop and produce rare earths in the near term.

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



Gavin Lockyer  
Company Secretary  
Arafura Resources Limited.



**ASX**  
AUSTRALIAN SECURITIES EXCHANGE

**FAXED**  
7 May 2009

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Mr Gavin Lockyer  
Company Secretary  
Arafura Resources Ltd  
Level 4, 16 St Georges Terrace  
PERTH WA 6000

Facsimile: 9221 7966

Dear Gavin

#### **PRICE AND VOLUME QUERY**

We have noted a change in the price of the Company's securities from a close of 55 cents on 6 May 2009 to an intra day high of 71 cents today and close of 68 cents. ASX also notes the higher volumes of securities being traded.

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?
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 and increase in volume 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 sent to me on facsimile number (08) 9221 2020. It should not be sent to the Company Announcements Office.

Unless the information is required to be released immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than 5.00pm WST on Thursday 7 May 2009.

The response must be in a form suitable for release to the market. If you have any concern about release of a response, 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 the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "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 the guidance note titled "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.
- 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 let me know.

Yours faithfully



Jenny Cutri  
Assistant Manager, Issuers (Perth)